

NEW
WORLD ECONOMY

OF

W. C. SICKESZ

*FULL PLAN FOR THE BUILDING UP
OF A NEW AND BETTER EUROPE,
EVEN OF AN ENTIRELY NEW AND
BETTER WORLD*

VOLUME I
PART I AND II

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W. C. SICKESZ

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AUTHOR OF "QUO VADIS?" OR,
THE WAY TO UNPRECEDENTED PROSPERITY

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VOLUME I
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HOLDERT & Co. N.V. — AMSTERDAM

TO THE READER.

This book was ready for printing when the last shot was fired in the war in the West, that is to say in May 1945.

That it could only appear now is owing to various circumstances, the chief of which was scarcity of paper.

In the meantime, a few alterations had become necessary.

SEPTEMBER 1938

In the month of September of the year 1938, exactly one year before the outbreak of the new world-war, and about 9 years after the beginning of the world-crisis, there appeared from the pen of the writer of this book, a brochure entitled

“Quo Vadis?”

or

“The way to unprecedented prosperity”.

In this brochure, by means of the A, B and C plans an economically justified solution of the then prevailing world-crisis and its accompanying mass unemployment was put forward.

But attention was also drawn to the increasingly threatening danger of war, which, according to the writer “could only be averted by putting an end to the crisis as soon as possible and creating general prosperity”, and then, in the manner indicated.

But the brochure referred to, contained more than that. In it was also indicated the way to end the miserable conflict between “capital” and “labour”. Further, an institute was projected and described for furthering and facilitating world commerce, and for the stabilization of the currencies, similar to the Multilateral Clearing Institute which is being more and more spoken of, nowadays. And finally the establishment of a new “Commonwealth of Nations”, the “guidance” of which should be entrusted not to “politicians”, as has hitherto been the case, but to “practicians”, “experts”, for instance “able leaders” in economic life.

Shortly, in this little book of unpretentious size, a plan was to be found by the thoughtful reader for building up a future “new” and “better world”, at least, the principal conditions were given, clearly described.

Soon after its appearance, this brochure was translated into the three modern languages — English, French, German — and many thousand copies, about 10.000 in all, were spread gratuitously in our own country, America, England, France and Belgium, and were sent to all prominent figures in the field of politics as well as economy, to Ministers, Members of Parliament, Members of Congress, and also to some of the most prominent economists. But also to leaders of big concerns. Copies were also sent to the then supreme leaders in Germany and Italy.

And all ambassadors accredited to the Dutch Court, together with the Papal Nuncio, received a copy in duplicate with the request to forward one copy to their respective governments; in the case of the Papal Nuncio, to the Vatican. As has appeared to the writer, most of these high functionaries complied with this request.

And so, at the present moment, this "Quo Vadis?" brochure is to be found in numerous foreign offices throughout the world — at least, in those countries which were represented at the Dutch Court. But it is also to be found on the bookshelves of many politicians, and of a few of the leading economists, as well as on those of numbers of the principal "leaders" in economic life, in the above mentioned countries.

We shall presently refer to the manner in which those addressed reacted to this little book, the copious distribution of which was to be looked upon, at the time, as the writer's last attempt "to save the situation".

The "Quo Vadis?" brochure (part I and II in one volume) was to be had, before the war, at the following addresses:

NEW YORK
Brentano's
586, 5th Avenue

"Quo Vadis?", or "The way to unprecedented prosperity".

LONDON
The Roll's House Publ. Dep. ditto

PARIS
Messagerie Hachette

"Quo Vadis?" ou "Le moyen d'atteindre, une prospérité insoupçonnée"

BRUXELLES
Agence Déchenne

The French as well as the Dutch edition.

THE NETHERLANDS
At the booksellers

"Quo Vadis?" of "De weg naar ongekende welvaart."

FOREWORD

In this book, both war and peace will be written about. However, very little about war, but much, very much about peace.

Before addressing the reader on these two extremely important subjects myself, I shall first let others speak on these subjects.

The writer.

WAR:

Lamartine:

War is murder on a large scale; murder on a large scale is not progress.

Wellington:

If you had experienced but one day of warfare, you would beseech God that it should never be necessary for you to experience a second.

General Sherman:

War means "Hell".

Albert Schweitzer:

When war came, the inhuman that was in us took the reins.

Edwin C. Hill:

Wars of the past were conflicts between artillery and engineers. Wars of the future will be unimaginably terrible battles, carried on by scholars, who, sitting in laboratories, scatter the miasmata of death over valleys and mountains, armies and fleets, and big, helpless towns.

Ben. Franklin:

Every great war leaves three armies in the country: one of invalids, one of mourners, and one of idlers ready for any kind of crime.

Walter Scott:

War is the only game in which both sides lose.

George Washington:

My first, last, and only wish is to see war, this curse of humanity, banished from the world.

Philip Snowden:

The continuation of a war, in the hope of gaining a military victory, is the worst way to lay the foundations of a lasting peace.

A Mother's protest:

It is no longer the time for battle and murder,
No war would again bring suffering to humanity,
If from the mouth of mothers was heard:
"I did not bring up my boy to fight as a soldier."

PEACE:

Fr. Passy:

People call the idea of peace a "Utopia", but they forget that the utopia of to-day, is the reality of to-morrow.

Moritz von Egidy:

If you wish for peace, you must work for peace. (6 April 1901):
Inauguration of the Permanent Court of Arbitration).

*An army-order of Aboe Bekr,
Caliph in the VII Century:*

If Allah should give you victory, do not abuse your power, and guard yourself from staining your weapons with the blood of those, who surrender to you.

Imm. Kant:

No peace deserves the name of peace, if the germs of a new war are hidden in it.

Edw. Grey:

Peace can never be obtained by a country ensuring itself power and prosperity by the subjection and injuring of others. —

Budda:

Hate is not conquered by hate; hate is conquered by love, this has been the order of things throughout the centuries.

Napoleon:

There are only two powers in the world: the spirit and the sword. In the long run the sword has always been vanquished by the spirit.

Tolstoi:

Peace among men is the greatest boon on earth, and lies within the reach of all.

Elizabeth Browning:

The time is coming when we shall have thinkers instead of bellig-
gerents.

Mevr. Mr. C. Bakker—van Bosse:

Only when, at the side of the inevitable peace-slogans, the practical possibilities of their realization are formulated, can the necessary creative force come from a national movement.

Victor Hugo:

However it may be to-day, to-morrow belongs to peace.

Isaiah II : 4:

And their swords shall be turned into plough-shares, and their spears into sickles. One nation shall not raise the sword against another and they shall learn no more war.

Taken from the Peace Album,
„Thoughts about peace in all centuries”,
collected by H. Ch. G. J. v. d. Mandere.

THE GUIDING THOUGHTS

The guiding thoughts in this book will be:

War:

It is better to prevent a war, than to win a war.

Peace:

A good peace ought to be based on four pillars:

1. The stringent laws of economy
2. The laws of nature.
3. The commandments of God.
4. Confidence of the nations in the peace work accomplished, and so in a happy and prosperous future.

THE COMING FIGHT FOR PEACE

“**Q**uo Vadis?” was written by me in 1938. Where is Europa drifting to, where the world? Whither, if the leaders of humanity see no chance of leading the world to “lasting prosperity”, if one depression continues to follow the other, if the world should fall into greater and greater misery and poverty, and the threat of war should become greater, day to day? (The last chapter of Part I of the “Quo Vadis?”-brochure).

Now we know the answer to that question, for a second world-war, much more terrible and destructive than the previous one, has been the portion of humanity.

Now I am again writing “Quo Vadis?”; but this time after six grim years of war, now the last shot has been fired in this second world war, the allies have again come out of the conflict as absolute victors, and, for the second time, the German nation and its allies, and this time Japan too, have been completely defeated.

* * *

And the answer to that question “Quo Vadis?” — where is Europe drifting to, where the whole world? — now that that misery of war has again been suffered, that answer, for the time being, can only be: “To another fight, but this time, *a fight for peace!*”

And it is only during that fight that the decision will fall as to where, afterwards, Europe and even the whole world will drift to.

The last words are not stimulating words, but any one who has followed the terrible events during this war with attention, and very likely has been compelled to take an active part in them himself, has certainly witnessed the great harmony *in that fight* — at least to all outward appearances — on the side of the fighting powers who have now emerged from the conflict as victors, but at the same time, he will not be ignorant of the fact, that now the struggle has come to an end, the same victors — America, England and Russia — have serious “clashes of interests”, which will make themselves felt, as soon as a start is made to organize the “peace”.

It would be too much to mention all those "clashes". And so we can restrict ourselves to the most important of them.

Clashing interests.

Now the war is over America has emerged from the conflict as the great creditor state of many of its allies, who, one to a greater extent the other to a less, are in debt to the great banking and commercial house, America.

Leaving the loss of lives out of consideration for the moment, America has emerged from this war practically undamaged. No ruins have been made there. The American mercantile fleet is much and much larger than it was before the war. The capacity of the ship-yards has been raised there to such an extent during the war, that very optimistic reports have already reached us from America, that the total world-tonnage after the war would be greater than it was before the war, in spite of the fight with the submarines.¹⁾

On the other hand, there are ruins to be found in abundance everywhere in Europe and it will be hard work, a work of years, first to clear up those ruins, and afterwards to erect new buildings in their place — sometimes whole villages and towns — while the European fleet, especially the mercantile fleet, has suffered serious damage and losses.

* * *

America is the land with the greatest stores of gold, and the richest sources of gold. Its ally, England, possesses sources of gold too, but her stock of gold is exhausted.

The other countries of Europe possess neither sources of gold of any importance, nor great stores of gold, Russia alone, possesses both. And so America with its gold position will be able to obtain a very great supremacy economically over the whole world, a state of affairs of which England is perfectly aware, and also greatly fears.

* * *

In its turn, America fears, now the war is over, a new economic collapse, a crisis, and then, even a greater crisis than that of 1929 — 1939. *And America's fears are perfectly justified.* For the production

¹⁾ But the quality will certainly not be so good.

THE COMING FIGHT FOR PEACE

apparatus, which already during the crisis years there proved to be much too great — especially in the steel industry — has, in consequence of the war, again been considerably enlarged, since then.

Consequently, to prevent this crisis, America will have to export by the mass, but shall it be prepared to receive from Europe much compensation in the form of products?

Now for the repair of the tremendous war damage, for the replacement of lost stocks, and so also for food, Europe needs many American products, but is entirely exhausted economically, and so will hardly be in a position to make payments.

As already said, it will take years to erect new buildings to replace the ruins and to recover from the other disasters of the war. Consequently — in contrast with America — there will be work enough in Europe, for the time being.

But how will it be with the balances of payment?

* * *

America will probably aspire to the supremacy over the other countries of the world. But has not Europe with its old history, its high level of culture, its centuries of fighting for liberty, still more right to that supremacy, now it has had to lose so very much blood, has suffered so much in this war for that liberty and independence?

These are all questions and just as many points of dispute when once the peace conference begins.

And we could add still more points of dispute, and just as many clashing interests both economic and political, all of which *might* lead to difficulties, once the peace conference has begun.

And then, we have only mentioned the clashing interests and points of dispute between America and its European allies, while we have, so far, scarcely mentioned Russia,¹⁾ which will also make demands, and no modest ones at that. That in Russia "state-socialism" and in the rest of the world "capitalism" is practised, or will be practised, is of itself a very great contrast, which may already lead to "clashing interests".

¹⁾ Although Russia also partly belongs to Europe, we have kept it apart.

CONDITIONS WHICH MUST NOT BE NEGLECTED

How will that new peace be effected, how will all those clashing interests be got over? How will good, harmonious co-operation be achieved?

More questions reader, and more difficulties. But there is only one answer that can be given to all those questions, and that is:

This time, if a sound peace is desired, — a peace which does not again contain the germ of a new war, as was the case with the peace of 1919, all the terms of peace which are to be made must be entirely in agreement with the stringent laws of economy, and in so far as they come into consideration, with the no less stringent laws of nature, too.

For, at the time, the economic side of the then peace was only too much ignored in Paris and at Versailles.¹⁾

But this time too, the complicated human character will have to be taken into account, which then, unfortunately enough, was also not done — and the question will have to be put: "what will be the reaction of the nations to the peace and the terms of the peace which is shortly to be made, not only on the side of the victors, but, however paradoxical it may very likely sound, also on the side of the defeated nations?"

For it must not be forgotten that "confidence in the future" and so in the peace to be made, among the nations, is one of the essential factors in arriving at a *sound* building up of a "new and a better world".

The reaction of the nations to the peace terms to be made, and so also to the total peace, will have to be favourable, both on the side of the victors and that of the defeated nations. It will presently be demonstrated that the latter condition is also necessary.

¹⁾ In 1939. J. E. Meade, an English professor in Economy at Oxford, wrote in a book entitled "The economic base of a durable peace":

„At the peace of Versailles, the economic problem was ignored, or anxiously avoided. The disastrous consequences of this form i.a. the principal reason why, after a quarter of a century, Europe is again the victim of war" (Mr. Meade is a member of the secretariat of the League of Nations).

(c) Translated from a publication in Dutch

CONDITIONS WHICH MUST NOT BE NEGLECTED

And as to the solution and even the removal of the clashing interests, this will have to be achieved in the same way as the terms of peace will have to be drawn up, namely by strictly observing in it the stringent laws of nature and the laws of economy. Only then will it be possible to start building up a better world, in which there will be prosperity and lasting peace. How this will be possible, will be shown later on.

For, let us first just cast a glance back at the years following the last world war and try learn a lesson from them.

WARNINGS FROM THE PAST

On 11 November 1918, after the last shot had been fired in the previous world war, and the armistice had been signed, the "big guns" of the victorious powers — President Wilson of the United States of North America, and Lloyd George, George Clemenceau and Orlando, Prime Ministers respectively of England, France and Italy — met in Paris to draw up the peace, which was later to be signed at Versailles, and is consequently called The Treaty of Versailles.

An army of collaborators, among whom were the cleverest experts i.a. in the field of economy, accompanied those "supreme leaders" of the victorious nations.

There in Paris and Versailles it was clearly proved, that it is easier to win a war, than to organize a sound peace, a fact which, after all, history has proved all through the ages.

But do not let us be astonished at this. For the same method has always been adopted in concluding a peace — at least, if there was one victor, and so not a compromise between the parties, or if, as was the case last time, a group of victors opposed to a group of defeated nations — and that method was, that the victor dictated the peace to the defeated enemy, just as appeared good to him, at least, as he thought would be most advantageous to him. It goes without saying, that in doing this the interests of the defeated enemy were generally entirely ignored. But what was still worse, even the stringent laws of nature and of economy were entirely ignored, as were the characteristics and the mentality of the nations — victors and conquered — and consequently also the reactions *to such a peace*, which were to be expected of them.

It is not to be denied, that hate and lust of revenge often played a great role in this.

That such a peace often ended in disappointment not only to the defeated but also to the victors themselves, is not to be wondered at.

The years following the Peace of Versailles bear witness to such disappointment, for, as is now generally admitted, that peace turned out to be anything but a success.

WARNINGS FROM THE PAST

No longer than eighteen months later began the misery with an economic collapse in the countries of the victors themselves. In Germany, a great depression made itself felt which continued till the coming of Hitler. The war burdens imposed at Versailles on the defeated nations proved unpayable, and were not paid either.

In 1929 began the crisis, which was to extend to a world crisis of unknown dimension and was accompanied by mass unemployment and disorganization of the currencies.

This crisis also started in the countries of the victors and that too in America, the richest country in the world, and spread from there like wildfire.

In 1933 Adolf Hitler came into power. He started new preparations for war, and was followed in this later, much later, not before 1937/38 by the victors.¹⁾

In the meantime, the crisis continued in the countries of the victors. From 15 to 25 million unemployed, with their families, were doomed to a life of demoralizing pauperism. Crisis measures and trade handicaps became daily more numerous. At last, in 1939, followed a new world war, more terrible, much more terrible than the previous one, and it lasted — the war in the Far East included — six full years.

* * *

This is a short summing up of a long series of evils, sufferings, failures, losses and catastrophes, which followed the previous peace. That was the kind of peace it was, and those the years which followed it.

And yet it *might* have been so entirely different, for in 1918 there was nothing to prevent the democratic-capitalistic victors from building up an ideal world, for at that moment, and shortly afterwards, Germany enchained for generations, had nothing to say in the matter.

But it was not to be.

Questions.

All this gives rise to the following questions:

How is it, that since the last war, and so since the Treaty of Versailles, Europe has been afflicted by such a series of disasters and

¹⁾ It is true, France had already started on its Maginot line.

catastrophes? For that question must now be put and answered, if we are to prevent a repetition of such disasters after this second world war too.

In answering that question we shall have to start from the fact, that there was nothing to prevent the victors of 1918 from building up an ideal world *then*.

Very well then, how is it that, ten years after the Peace of Versailles, a world crisis of unknown dimensions, with all the misery connected with it, afflicted the world, only to end nine years later in rearmament for this new war?

How is it, that the German nation itself, fourteen years after Versailles (1933) rushed into such a foolish adventure, when an Austrian workman, a front-line soldier, unknown a few years before, raised himself to the highest function in the Government of the German Empire?

An important question is put here.

We know from history books, what were the causes of the French revolution, we also know that from the blood and chaos of that revolution, but in the first place from the despair of the French nation, rose a similar phenomenon, Napoleon Bonaparte, to ravage Europe for years with his victorious but death- and -destruction spreading French armies.

Well then: what was the state of affairs in Europe in 1933 and especially in the German Empire, that once more *made it possible* for such a "comet" to rise to such fabulous heights, and again to make powerless slaves of a whole nation — this time 65 million Germans — and with an army recruited from it, later on even with the whole nation, in the middle of the twentieth century, to sow death and destruction and to set ablaze the whole of Europe, even the whole world?

How was it possible for Adolf Hitler six years long and perfectly undisturbed, to arm to the teeth this nation which was disarmed after the war of 1914—18?

How was it, that already 4 years after the end of the last war, that is in 1922, "absolutism" was again introduced in to Europe, i.e. in Italy — here we are leaving Russia out of consideration — to be followed by Spain and Poland; that even the whole of Central Europe, too, was again governed "absolutely" from 1933 whereas, in 1919, it

WARNINGS FROM THE PAST

was thought, that, with the Peace of Versailles which the victory of democracy had brought, not only had absolutism — i.e. that of Willem II — been exterminated for good, but that the democratic system as the "only correct one", even the "most ideal one" would be practised from *that* moment *exclusively* all over the world.

Here we will give a provisional answer to *that* question: because "The maintenance of the democratic system of government" is a splendid slogan with which to inspire democratic nations to resistance against rebellious nations governed on absolute principles, but that the democratic system as practised in many countries, is absolutely wrong both theoretically ¹⁾ and practically, has been proved clearly enough. To which we must immediately add, that absolutism has now proved not to be the good one either.

And then, how was it that National Socialism could become so popular even, that it could fill with enthusiasm nations totalling more than 90 million souls — at least the majority of them — and could make them see in National Socialism *the* system with which to build up a new and a better Europe, even an entirely new world?

A provisional answer can already be given here to that question too: because the capitalistic system, as practised already for more than a century, has countless *very serious* errors.

It was *these* errors which first led to the world crisis of 1929—1939 with its currency chaos, its 15—25 million unemployed, its cut-throat competition in industrial life, but also its mass-destruction of capital, and which finally led to the rise of National Socialism.

And so it was our own thoroughly sick capitalistic society which gave birth to the equally sick child, National Socialism. In the meantime it has been proved that this child was just as little successful in improving on the capitalistic system.

We shall return again to all this, later on in the book.

¹⁾ The proof of this is given in England, where, properly considered, democracy has led to a dictatorship of the Labour party.

A WORLD CONFLAGRATION

Once more, in Europe, has raged a fire, which has spread even to the Far East, a disaster this time undeniably brought about by the Germans. And it was *their* flames and those of their allies — a veritable conflagration — which made countless victims, and caused incalculable destruction, while the extinguisher of the fire-brigade which rushed to the rescue, greatly increased the damage, as is generally the case.

But since the fire has been extinguished again, and the duped nations will long continue to philosophize and nurse grievances about that blazing sea of flames, and the mischief caused by it, it is now the task of the few, qualified to do so, to look for *the causes* of that fire, so that humanity and the world will in future be spared such disasters.

For although, on 1 September 1939, it may have been the Germans — it must be repeated — who let loose this avalanche by crossing the Polish frontiers, the *causes* of this new world conflagration must be looked for further back. In the case of most fires, for the purpose of finding the origin it is sufficient to find out who or what caused the fire to begin, or set the first spark glowing. In the case of a world conflagration, that is not sufficient. Such a thing has causes which — as already said — must be looked for further back.

But it is also necessary, to find out, what measures *might have been* taken to prevent that new conflagration, in time.

In the first place, it will have to be found out whether, on the previous occasion, the fire brigade did its work of extinguishing the fire well, or whether even then a smouldering fire had remained.

An answer was already given in the autumn of 1919 by the famous English economist Keynes ¹⁾ when he then foresaw this second world war.²⁾ We shall come back to this, later on.

Well then, unfortunately enough, this prophecy was fulfilled twenty years later. The judgement of this scholar is of the greatest importance to those who are looking for the causes of this new disaster, and for the means by which such disasters can be avoided in future.

¹⁾ Now Lord Keynes.

²⁾ Here we again refer the reader to what Prof Meade wrote.

A WORLD CONFLAGRATION

For the duped nations of Europe who, in the short space of a few decades were to a greater or a less extent swept along in a series of disasters — we refer here to Belgium, The Netherlands, Switzerland, Poland, Portugal, the Scandinavian and the Baltic countries, Hungary, Czechoslovakia, together with the Balkan states, — for so far as they did not belong to the allies of the axis-powers — have a right to a future in which lasting prosperity and peace are assured, and disasters such as those mentioned here are things of the past, after the investigation into causes of this new war-disaster and the determining of the measures which *might have been* taken and which even *ought to have been* taken to prevent this second tragedy.

IT IS NEVER TOO LATE TO MEND

We have already written, that in this book answers will be given to all the questions put in a previous chapter, while the questions already provisionally answered will be gone into more fully.

But here we can already anticipate what is written later on, by stating that to prevent the mistakes of the past being *repeated*, at the same time to be able to bridge over the apparent clashing interests, best of all even to remove them, and to come to the harmonious and united construction of a new and a better world, the first requirement of the future peace-makers will be — this too, in connection with what we have already written — that they are thoroughly acquainted with the stringest laws of economy, and, in so far as that is possible, with the laws of nature too, so that they will be able to make every stipulation of the new peace which is to be organized, in accordance with them.

But have those in the camp of the victors the correct knowledge of those economic laws, and of those laws of nature?

This is greatly to be doubted. For the assumption, that before this new world war began, that is to say, before September 1939, there was *nobody* in the countries of the allied powers, nor in those of the axis powers, who possessed to a sufficient extent this undeniable knowledge of the laws mentioned is in every respect justified.

If this assumption should be correct, it is also to be doubted whether the turbulent war-years will have given them this knowledge.

Much points to the fact that this has not been the case, which will immediately be demonstrated by a few facts.

But let us first just continue our questions:

Is the correct solution known to the greatest of all the problems which will soon crop up again, namely: how to prevent crisis and mass unemployment, which goes hand in hand with it? For if, in the coming peace, a sound and so an affirmative answer has not been found to that question, all the future work of construction will be in vain, because then, in the near future, when the work of repair has come to an end, a catastrophe is again to be expected.

IT IS NEVER TOO LATE TO MEND

America will probably already be faced with this great problem even *immediately*, now the war is over.

Is the solution known to that other extremely important problem: how in every country always to have in abundance the possibility of production for the production apparatus — "full employment" — chiefly for *home* consumption so that export need no longer be *an end*, but only a *means to an end*, namely to be able to provide oneself from abroad with the necessary raw materials, or with products?

For a sound solution will have to be found to this problem, so that the powers producing on modern lines will, in future, have less to fear from one another's competition in the world market, which will prove to be possible, if it is possible to keep the production apparatus at one's disposal, working chiefly for the home market. For there is no better means imaginable for preventing wars, in the future.

To mention another important problem; has a means been found to liquidate the national debts, which have been raised everywhere to astronomical figures, and to pay the interest on them, without the economic life in the countries experiencing any detrimental influence from it?

Has a method been found to increase the "purchasing-power" of the workmen, without the notorious vicious circle coming into action? For, in due course, the raising of the "purchasing-power", and with it the standard of living of the workmen will be necessary in every respect, if the tragic conflict between "capital and labour" is to come to an end.

Is an answer known to the question, whether, or not, it is economically justified to make use of "gold" as "purchasing-power"?

Has a sound — that is to say solid — "measure of value" already been found for the exchanges?

Has a system of government been found, which makes smooth and sound government possible, free from the mistakes inherent both to the democratic and the absolute system of government?

Do the victors know how defeated opponents must be treated after a modern war of exhaustion, so that the victors do not suffer more *new* loss than the compensation that can be obtained from the defeated enemy, on account of the damage inflicted by him during the war? Even more new loss, than the compensation the conquerors *think* they can get from the late opponents, for the damage inflicted by them,

as, for instance, was the case in the quarter of a century following the peace of Versailles?

Do they know, in that rich and undamaged America, what is the most correct — that is to say the most economically justified — method of approaching Europe, exhausted and strewn with ruins?

There are only a few of the numerous problems, many of which have already been waiting decades for a solution and which will *demand* a sound solution in the coming peace, at least if the desire is to achieve the building up of a new and better world.

And yet, any one who has followed world events with attention and has kept up with communications in dailies and periodicals as far as it was possible to do so, is justified in doubting whether a sound solution has already been found to even one of those problems, leave alone, that a complete and, above all, a good plan has been found for the building up, of a new and better world, all of which is so desirable.

And this doubt is already justified, when one reads the reports of the many conferences which have been held in America in connection with the stabilization of the valutas. For in arriving at decisions there, very little account has been taken of the stringent laws of economy, as will be clearly demonstrated in one of the following chapters, and from all this, it may be safely concluded that the knowledge of those laws is *still lacking*.

There is also much to be learnt from a single glance at the liberated areas. For, in those areas in West Europe — take for instance France, Belgium or the Netherlands — is there one government which has energetically tackled measures for reform, and consequently for a sound reform of the undeniable abuses which already existed before the war? Is there one government which has even given signs of having made plans to that end? No, certainly not.

The fear is even justified, that neither in the camp of the victors, nor in the liberated countries, is it sufficiently realized, how much has been wrong in our economic society from times immemorial, and to what extent we have, for years, trampled under foot the stringent laws of economy and the laws of nature, and how thoroughly sick our society really was, and still is.

For that world crisis of 1929—1939 was not purely fortuity nor, as already demonstrated, may we look too one sidedly for the causes of the second world war. No, our whole sick society drifted towards

IT IS NEVER TOO LATE TO MEND

these catastrophes, and moreover, they were only to be prevented, if an economic "physician", had, in good time, made the correct diagnosis of the world's sickness, and if he, also *in good time*, had indicated the correct therapeutics, but, what was most important, *if only he had been listened to*, and his therapeutics been put into practice, at the earliest possible moment.¹⁾

Then, prosperity, "lasting prosperity" would have come to *all* nations, and in a world where prosperity prevails, the dogs of war are not let loose.

* * *

And now, at the conference at San Francisco, the winners have given clear proofs of their intention to make any aggression in future on the side of Germany impossible²⁾ and that naturally has met with full approval in the countries of the democratic nations, which have been so terribly afflicted. But, here we should like to ask "why in 1933, did not the victors of 1914—1918, when Hitler came into power and started re-arming, immediately prevent this, or what would have been still better, by making sound alterations in the Peace of Versailles, remove any reason for the German nation asking for rearmament"?

One cannot wage war without weapons, and therefore we wrote already: "it is better to prevent a war, than to win a war.

Europe, and even the whole world, might have been spared unmentionably much sorrow, misery and destruction.

¹⁾ In how far the diagnosis and that therapeutics already existed before the war, the reader will presently be able to judge, and also whether attention was paid to them at the right time.

²⁾ And, naturally, also of other nations.

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If the conclusion is correct, that neither in the countries of the winners nor in those of the defeated nations the economic panacea has been discovered, and, moreover, that no chance has been found to lift the veil which hangs over so very many economic problems, and still envelopes them in deep darkness, then, one is inclined to ask, what is going to be done at the coming peace conference?

Must another peace be concocted there, which will be the basis of, or contain the germ of another catastrophe, either in the form of another world crisis — greater, much greater than the previous one, — or of a war, or worse still, of a world revolution? For this time no mistake must be made at the peace conference, as was the case some three decades ago.

The nations must have the prospect of a happy and prosperous world, not only for the winners, but also for the defeated nations — however wonderful this may sound in the ears of the winners, filled with hate and longing of retaliation — if, this time, another new catastrophe is not be prepared.

And it will not be sufficient that there is such a prospect. This prospect must be made reality, and quickly too.

* * *

At the coming peace conference there will probably be many committees, especially committees of "experts", and "compromises", numerous compromises, will lead to the ultimate peace.

But what a number of economic conferences were held in the crisis years preceding this war, at which the cleverest "experts" in the whole world met, and did one of those experts there ever succeed in solving one of the pending *important* problems?

Will that *indeed* now be the case, now there are so very many problems which must be solved in a sound way?

But humanity must not forget, that it is impossible to make compromises either with the stringent laws of economy, or the laws of nature. *These* laws must be rigidly observed or... we shall have to

THE COMING PEACE.

accept the awful consequences of ignoring them, for ourselves and for posterity.

One single unsound stipulation in the peace to be organized, one stipulation in conflict with the stringent laws already mentioned, will be sufficient hopelessly to ruin the new work of peace, and lead to a new debacle. Let this be borne in mind.

A complete plan ready.

As already written, there are many problems in the coming peace which immediately *demand* a good solution, and I am pleased to be able to tell the reader, that in this book he will find submitted to his judgement, solutions to all the problems already mentioned, and to still more not mentioned, which undoubtedly will come under discussion in the coming peace.

Moreover, in this book a complete plan will be published by which it will be possible to build up not only a

New and better Europe

but even a

"New and better world".

It was possible for me to find those solutions and to work out this complete plan of construction, after I had succeeded, in the course of the last few years in penetrating to the bases of economic sciences, even to places which had apparently not yet been explored, before I did so. After that it was no longer difficult to raise the veil, which enveloped the numerous still unsolved problems, and even to remove it.

All this will be further elucidated in the first chapter of part II.

It will probably even be possible for me to demonstrate to the reader, that those numerous "clashing interests" which *appear* to exist between the allies on the side of the winners in *reality*, *do not exist*. That there are even common interests, so great, that for none of the parties need there be any obstacles to walking the path of peace together in unity and in full harmony.

CHAPTER VII

DEDICATION

We shall not go further into details here. For in the following chapters, a clear explanation and further elucidation will be given, wherever required.

But it is with this in view, that I dedicate this book to *all* "leaders" of the nations, and especially to *those* whose task it will soon be, seated at the peace conference table, to prepare for humanity, which has so long been afflicted, a new peace.

For it will be *possible* for this peace to be a lasting one, and to lead to a world in which there is prosperity and joy of life, provided the correct paths are followed.

ECONOMIC FEDERATION OF EUROPEAN STATES

Before we begin the contemplation of the pending social and economic problems, still one more very important problem calls for our immediate attention; it is the problem of a closer union of the nations.

For modern traffic — electric trains, rushing along with a velocity of 120 K.M. an hour, motor cars flying along motor-roads, planes with a velocity of 250 K.M. an hour, and more — has made the world considerably smaller, and practically annihilated distances.

And so the States with their peoples would act wisely to unite and form continents, just as, hitherto, provinces united to form states, and the continents should mutually arrive at harmonious economic co-operation.

All this will be possible, as far as Europe is concerned, by founding an

Economic Federation of (West) European States.

For the dangers with which Europe will be threatened in the future, both from inside and from outside, will be great. We shall demonstrate those dangers later on. Also the states individually will be threatened from within and from without, and it will only be possible to meet these dangers, or to offer resistance to them, by united and harmonious co-operation, which, as will later be demonstrated, will be possible here in Europe for the joint states.

It will appear, that, as a matter of course, also mutual co-operation between the continents is essential, if we want to utilize our possibilities of prosperity to the full, and, by doing so, to assure ourselves of lasting prosperity and peace.

Seeing the desirability, even the necessity of such co-operation on the part of the European states, but also with a view to preventing unnecessary bloodshed and destruction, efforts were already made by me, *before* the Netherlands were occupied on 10 May 1940, and also after that occupation, to end the war on the basis of the founding of

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a European league of states. Alas, it proved to be without success.¹⁾

I always had in view a Federation of European states — without a single exception — in which, however, each state should retain its liberty and independence both at home and abroad, and if there were colonies, in the government of those colonies, too, at least, in so far as this was not in conflict with common, and so “federal” interests. Of course, each state should be free in the choice of its ruler.

The seat of such a Federation would, naturally, be established in one of the smaller, formerly neutral European states. In the government, as was, and still is, contemplated by me, no single state would exercise a preponderating influence.

A very exceptional, entirely new method of government, by which it would be possible to govern smoothly and soundly, was planned by me, not only for this Federation, but also for the states associated with it. We shall refer to all this again in extenso. At present, it can only be stated, that, according to those plans, the nations would have to choose new leaders, even leaders of quite a different type — men with practical experience, not politicians — as was already demonstrated by me in “Quo Vadis?” the book already mentioned (see part I, Chapter I.)

* * *

However, these plans immediately met with opposition on the side of the Germans, who, in 1940, still expected, within a short time, to govern Europe from Berlin.

But the fact, that I was in a position to hand over a plan for the building up of a new and better Europe, even of a new and better world, led me to decide on these efforts.

* * *

Now in part II and part III which follow, we shall first mention and explain the solution of the pending social and economic world problems already announced after which, in part IV the new “system of government”, already referred to in a few words, will be further elucidated.

¹⁾ These peace efforts will be further referred to, later on.

ECONOMIC FEDERATION OF EUROPEAN STATES.

In that part we shall also go more fully into the question of an

Economic Federation of European States.

Before concluding part I, which is of an introductory nature, we will not neglect to say a few words of encouragement to the reader.

SAN FRANCISCO.

In the year 1906, San Francisco, was ravaged by a tremendous earthquake and was to a great extent destroyed by it, and by the fires which afterwards broke out.

A cry of horror and dismay at *such* a catastrophe, as had never yet afflicted a city, was heard all over the world.

But see! From the ruins arose a new city, more beautiful, much more beautiful even than the old one. But the most important fact, especially for us in the terribly afflicted Europe, is, that, after the catastrophe, San Francisco has experienced a period of prosperity, greater than the inhabitants of that city could have dreamed of, even in their boldest dreams. It is easy to understand that the activity which accompanied the rebuilding of the city played no small part in this, and it is especially this fact that justifies us being hopeful with respect to the future.

The "destroy and prosper" theory was certainly borne out here. We shall refer to that expression again, shortly.

The same thing will be possible in Europe too, in the future. But if that is to be the case, no stupidities must be committed, and there must be no giving a free rein to passions, for that was one of the chief causes of the failure of the last peace. But above all, as already demonstrated, it will be necessary strictly to observe the stringent laws of economy, and, where necessary, the laws of nature, too.

We *can* in Europe look forward to a happy and prosperous future.

We — at least the victors — have it in our own hands.

PART II

THREE ECONOMIC BASIC-FACTORS

In but three decades humanity has been scourged by three catastrophes, namely two awful world-wars and a world-crisis of unknown duration and extent.

Of course, this is only possible, if there is much that is wrong in our society.

Well then, there was much that was wrong and so a mistake.

In the first part, we have just given a resumé of many of the countless problems which have already been waiting scores of years for a sound solution, and demand this relentlessly at the coming peace, at least if we wish to come to a new, and especially a better world.

But all those unsolved problems just go to show, that there was much that was wrong in our society, so wrong even, that one might speak of serious abuses.

We will just repeat the most important of those pending problems:

In the first place: the people lacked a sound governing machine, at least a method of government by which smooth and sound government is possible.

In the second place: it is high time that an end came to that most pitiful conflict between capital and labour, which has already lasted much too long, and has caused unspeakably great suffering, poverty and embitterment.

In the third place: those periodically returning crises, with the attendant mass-unemployment have to be prevented.

In the fourth place. very much will have to be improved in the monetary field, for in that field too, innumerable mistakes of a very serious nature are made, which dislocate our economic society to a serious degree.

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In the fifth place: the victors will have to make correct peace-stipulations, that is to say, stipulations economically justified.

Finally: the nations of Europe will have to unite in a new league of states.

The reader will very likely ask: "How is it, that there was so much that was wrong in our society, so wrong that three such catastrophes could inflict humanity in but a few decades?"

That question can be answered as follows:

The state government is more and more coupled with an economic government. In this economic government our Ministers and other authorities chiefly pay attention to the knowledge of the practisers of economic science.

It is a fairly well-known fact, that that branch of science has not been productive up to now. So far, no sound, that is to say economically justified solutions have been found for all those important problems we have already mentioned.

When I was looking for the causes of the sterility of that science, I arrived at the wonderful discovery that

three basic factors

have been seriously neglected by its practisers.

1. The purchasing-power.
(Origin and utilization of purchasing-power).
2. The advantages attached to a rise in turn-over.
3. The multiplicity of the circulation of money.

It is true, these three factors were known of, but, apparently, their importance has not been sufficiently realized. As a consequence, they have been seriously neglected in studying and in looking for the solutions for all those problems of a social and an economic, also partly of a political-economic nature, which, as already stated, have long demanded, and certainly now require a sound solution soon:

In the following chapter, two "theses" will be mentioned in connection with the "purchasing-power", which, are not be found in

THREE ECONOMIC BASIC-FACTORS.

textbooks of economy.¹⁾ And yet they are of the very greatest importance, as will be shown later.

By taking the three economic basic factors mentioned into account, and so including them in the calculations made, and in looking for a solution for all those pending problems, this "New World Economy" has come into existence, in which *all* those problems have been solved in a manner economically justified.

We shall now begin by elucidating these three economic basic-factors each in a separate chapter, and then, the whole of this "New World Economy" will be explained and elucidated. And with that, the reader will, at the same time, be made acquainted with the solutions of all those problems which have already been mentioned in the introductory first part.

Together with it the whole plan for building up a new and a better world will be explained.

* * *

We will now already draw the reader's attention to the fact that, before he has finished this book, he will see that all solutions given here of the pending great world-problems, once and for all deviate from the still prevailing opinions with respect to these problems, or from the ways which are still followed at the present moment with respect to those problems, in the supposition that they are the correct ones.

Now this deviation from the solutions arrived at here, and the opinions of others, or the ways prevailing at present, is as great, as the difference between black and white. We will try to make this plain in one of the following chapters.

But only one of these two views can be correct, from which it follows that the other is absolutely wrong. The reader may judge for himself. The new view has been sufficiently explained and elucidated here to enable him to judge for himself.

But if the new view in these very important matters should be the *correct* one, one must not be astonished that this last quarter of a century has brought us two terrible world-wars, and one long and miserable world-crisis.

¹⁾ As I was informed on good authority; in so far as it was possible for me to make further investigation, this appeared to be correct.

Should they, never the less, still be mentioned somewhere, then, in the meantime, it has appeared that insufficient use has been made of this knowledge. I shall refer to this again later on.

ORIGIN AND USE OF PURCHASING-POWER

Purchasing-power is created, but at the same time utilized by the production process, also during the distribution of the products — wholesale and retail trade — at least, in so far as it concerns a product distributed via the wholesale and the retail trade.

We use the words "produce" and "products" here in the widest sense of the words, for the performance of intellectual work, too, which is also a sort of producing, is also remunerable in money, which again is also a "producing" of purchasing-power, in which, at the same time, the purchasing-power already existing is utilized.

We will now show this by means of a few examples, but shall make them as simple as possible, for the sake of clarity.

First example.

A manufacturer buys raw materials to the value of £ 100, and pays this £ 100 to the supplier, in which way the latter receives new purchasing-power to the same amount.

The manufacturer lets his workmen work on these raw materials for which work they earn £ 100. He pays this £ 100 to his workmen at the end of the week, in which way the latter receive £ 100 new purchasing-power, but the manufacturer has naturally utilized £ 100 of his purchasing-power in stock for this purpose.

Then the manufacturer has in his possession products which have cost him so far £ 200. He raises the price by £ 50, as his profit, as contribution towards his own expenses of living, after which he sells the finished products to the wholesale trade for £ 250. When the wholesale dealer has paid him the £ 250, the manufacturer has in this way obtained £ 250 new purchasing-power, and the wholesale dealer has used the same amount of his stock of "purchasing-power".

The wholesale dealer increases the buying price of £ 250 by £ 50 for his own expenses and profit, and thus sells the products for £ 300 to the shopkeeper. As soon as the latter pays his purchasing price of £ 300 to the wholesaler the latter receives £ 300 new purchasing-power, which the shopkeeper has paid from his stock of purchasing-power.

ORIGIN AND USE OF PURCHASING-POWER

In his turn the shopkeeper raises the price of £ 300 by £ 100 for *his* expenses — rent, staff, heating, lighting — and his profit, and finally sells the products to the buyers — consumers or users — for £ 400. As soon as the latter pay down this amount, the shopkeeper receives £ 400 new purchasing-power, which amount the buyers on their side have utilized of their purchasing-power.

Second example.

A municipal or a civil servant performs administrative work in this capacity. So he produces letters or figures in books or on cards, but these are not products which are negotiable.

At the end of the month the official receives his salary, and with it new purchasing-power. If he is a civil servant that salary is paid to him out of the treasury. To be able to do this however, the state must first levy taxes, and with these taxes, which is simply "purchasing-power" withdrawn from the community, the civil servant is paid.

So here we again see, at the same time a utilizing, at any rate a withdrawing, of already existing purchasing-power, in order to supply new purchasing-power with it.

Third example.

Music is played (produced) by a string-band in a restaurant — I hope that the musicians will forgive this term.

The salary is paid to these musicians either weekly or monthly, by which they receive new purchasing-power.

At the same time the restaurant keeper pays these wages out of his cash, which is to say, from his stock of purchasing-power. So again we have a simultaneous utilizing of an already existing, and a creating of a new purchasing-power.

It goes without saying, that in his turn the restaurant keeper will get from his customers, by means of an extra charge for food and drink, the expenses connected with that string-band.

So the customers of the restaurant keeper pay him with the purchasing-power in *their* possession for the music he provides for them, while he, either in the extra charges or in the music which is charged for in his prices, receives the new purchasing-power, which his customers pay him for it. This again is for the restaurant keeper the new purchasing-power, which, as we have already seen, he pays to the

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musicians at the end of the week or the end of the month in the form of wages.

These three examples will be sufficient for us.

However, I will repeat the first example, that of the manufacturer, in a more conveniently arranged way, in order to make two things especially stand out more clearly, viz:

- 1e that during the production process, and for so far as this follows it, during the distribution of the product — wholesale and retail trade — there is exactly as much already existing "purchasing-power" utilized or consumed as there is new "purchasingpower" created.
- 2e that the total "purchasing-power", which circulates during this production and distribution process is a multiple of the final price — the retail price — of the product or the products, at least this is the case, if the product reaches the real *possessor* via middle men as is the case in the example given below. You can see for yourself.¹⁾

	Utilized purchasing- power	New purchasing power
The manufacturer utilizes £ 100 of the purchasing-power (money) already in his possession to buy raw materials with	£ 100	
The supplier of those raw materials receives that purchasing-power from the hands of the manufacturer, and consequently receives new purchasing-power		£ 100
The manufacturer pays £ 100 in wages, and pays these wages from his cash with his purchasing-power already in stock	£ 100	
to be carried forward	£ 200	£ 100

¹⁾ So we see here, that the production and distribution process in many instances already immediately creates a multiple money-circulation. We would call this "the direct" because this concerns the direct yield of the product itself. The multiplicity of the money-circulation during the production and distribution process, however, is considerably greater, if we also take into consideration the "indirect" influence which the yield of certain products effects on the whole production process, and thereby on the money-circulation. We shall, however, elucidate this in one of the following chapters.

ORIGIN AND USE OF PURCHASING-POWER

	brought forward	£ 200	£ 100
The workmen receive these wages at the end of the week, and in this way receive new buying-power to the value of			£ 100
The manufacturer raises the costprice of his products of £ 200 by £ 50 for profit and sells the finished products to the wholesale trade for £ 250			£ 250
The wholesale dealer pays that £ 250 from his cash, consequently with the purchasing-power already in his possession and receives in exchange the finished products		£ 250	
The wholesale dealer raises the price of £ 250 by £ 50.— for expenses and profit and then sells the products for £ 300 to the retailer			£ 300
The retailer buys these products for £ 300 and pays out of his cash, thus with "purchasing-power" already in his possession		£ 300	
The retailer raises the price of £ 300 by £ 100 for expense and profit, and finally sells the products to the ultimate buyers (consumers or users) for £ 400. He thus receives this buying sum from the buyers			£ 400
The buyers pay with their money (purchasing-power already in their possession) for these products £ 400 to the retailer		£ 400	
		£ 1150	£ 1150

You see that here in this example we have to do with practically triple circulation of money and purchasing-power, compared with the "retail price", and consequently of the "value" of the products.

Where just as much purchasing-power is "utilized" as "new" purchasing-power created, one might take it, that these two have neutra-

lized each other, owing to which only the "products" would remain.

However, as to this mutual neutralizing of utilized and newly received purchasing-power, there is still something to be said, as we shall presently see.

Duration of the products.

As to the resulting product, in many instances that has of itself a purchasing-power too, at least, it can often be used as an object of barter. As "buying" is really "barter", that is to say an exchange of money for commodity, properly considered "barter" is also "buying", and one could thus assign to every object that possesses "barter value", "purchasing-power" as well. This is, however, only *en passant*. In any case it is certain that practically every product has a salable value.

Now every product has a limited "life". There are but few products which make an exception to this law. One might, for instance, mention "gold" and precious stones as ¹⁾ an exception. The former, at least a great deal of the world's gold-supply, has been stored up in treasuries or vaults of banks often for centuries and centuries, and consequently *cannot* wear out.

Other products, for instance, great edifices, like the pyramids, which have defied centuries and centuries, palaces too, have a very long "life". The pyramids might be considered everlasting.

But most products reach their end very much sooner. There are, for instance, articles of consumption which, after having lain in the warehouse or the pantry for a longer or shorter time, suddenly disappear through being consumed. Goods for use generally have a longer "life" of very variable duration. Through wear and tear, however, these too can sometimes be completely used up, or owing to becoming old-fashioned, they come to their end, which end is often the rubbish dump, or, in the case of greater objects, the demolisher.

The latter case also applies to the so-called capital goods.

What remains after demolishing is the "refuse", such as old iron, the so-called scrap-iron, which again forms an excellent raw material for the blast-furnaces, so that such refuse again begins the circular course through our economic organism.

¹⁾ That gold, at least bar gold lying in the vaults of the banks, does not wear out, and consequently is everlasting, forms a factor which must be duly taken into account in judging the "gold problem" which is of such importance.

ORIGIN AND USE OF PURCHASING-POWER

Consequently it can be clearly seen from this, that, with a single exception, every product disappears again after a longer or shorter "life", after having served, or having been of service to, mankind during this live.

The advantage of the utilization of purchasing-power.

From the fourth example we have clearly seen, that just as much existing purchasing-power is utilized as new purchasing-power is created so that, well considered, during the process of production and distribution a re-distribution of already existing purchasing-power takes place. Yet we should be wise to consider that utilizing or rather "using-up" of already existing purchasing-power not as an unfavourable factor but, on the contrary, as a very *favourable* factor in our economic society. Money of itself only really becomes of use to humanity when it is utilized in some way as "purchasing-power".

The miser, who succumbs to hunger and misery amidst his piles of gold coins, has committed the fault of not converting his money soon enough into the products he requires for his support. That utilizing of money by applying "purchasing-power" to it, is also of the greatest importance to our entire economic society, for it causes products to disappear from the market, and in so doing uses up the stocks.

The retail-dealer, who sees his shop-stock decrease, will generally replace it, which again brings business and causes circulation of money; the wholesale dealer will then again replenish his stock from the manufacturer, which again leads to business and circulation of money.

In conclusion, the manufacturer through all this, again gets a new possibility of production, in consequence of which he, in his turn, needs new raw materials, uses coal and electricity, and has to pay wages and salaries to his workmen and staff. So it is all circulation of money, utilization of purchasing-power and creation of purchasing-power.

The utilizing of existing purchasing-power and in so doing creating new purchasing-power, is certainly a *double* action, which is already extremely useful of itself, and certainly so for the community, so that the expression already used for this, namely "neutralization" of newly created purchasing-power is out of place.

The use of new purchasing-power.

After the "application" of purchasing-power, which is so extremely

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useful for our economic organism, comes the "new" purchasing-power, which, in its turn, will fulfil such an extremely useful function for our community, and that is the removing of products from the market, or the supplying of itself with intellectual products in its place.

Now we must come to a certain correction with respect to that "new" purchasing-power, for, while, as i.a. it has appeared so clearly from example 4, especially in the case of products which reach the possessors — users — consumers — via the wholesale and the retail trade, an approximately triple money-circulation has taken place, calculated according to the ultimate value (retail price) of the products, and — consequently, as much "new" purchasing-power has been created, there is still something in the latter to be criticized.

For of that £ 250 for instance, which the manufacturer has received for the product supplied by him, he has already bought raw materials to the value of £ 100, and has also paid £ 100 in wages. It is true, both those payments occurred before the sale, so that the manufacturer had to pay those two amounts of £ 100 from the purchasing-power in his cash. Yet that does not alter the fact that, when he receives for his products the £ 250 which we have considered for him as "new" purchasing-power, he has first to fill the void of £ 200 in his cash with it, after which he retains £ 50 profit for himself.

Now this profit of £ 50 is really "new" purchasing-power for the manufacturer, which he can utilize, for instance, for his own subsistence.

And so we come to the following calculation of the actually "new" created purchasing-power, which we might style "remaining new purchasing-power".

Remaining new purchasing-power.

The new purchasing-power, which the supplier received for the supplying of his raw materials	£ 100 ¹⁾
New purchasing-power, received by the workmen and staff ..	„ 100
The manufacturer in his profit	„ 50
The wholesale dealer in his profit	„ 50
The shopkeeper in his profit	„ 100 ²⁾
	£ 400

¹⁾ Not to make the matter too complicated, we shall here ignore the fact,

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Consequently a total new "remaining purchasing-power" has been created of £ 400, being exactly the ultimate value of the "retail price" of the product.

From this last calculation now appears quite clearly the so very important, I dare almost say the all-dominating *economic factor*, namely

that every product creates its own value in purchasing-power

I shall show presently how important this really is.

* * *

But at the same time it appears from this, that during the process of production and distribution, "*sufficient purchasing-power*" is *created to allow all products to reach their destination, the ultimate buyer, user or consumer.*

This economic factor, too, is of so great importance that its value cannot be highly enough assessed.

Now, armed with this knowledge, we shall solve some of the most important world problems, later on in this book.

* * *

For the sake of completeness, it should further be observed, that from the above follows, that in periods of rising prices there must be shortage of "purchasing-power", because the quantity of purchasing-power which is "created" for a certain product during the process of production and distribution *on a low market* is less than that which ought to be utilized of existing purchasing-power, later on, in a high market during the production and distribution of that same product.

Reversely, when prices are falling, there will be plenty of "purchasing-power", because during the process of production and distribution of the same product at a high market price more new purchasing-power was created than some time later, at a low market price ought to be used up of existing purchasing-power during the production and distribution of such a product.

The fact, that practice often shows us another picture, that with

that he too has had to pass on part of this amount to his workmen and staff, because this also creates new purchasing-power.

²⁾ The fact that he too must pay from this £ 100, a part of his expenses, — for instance rent, his own staff, — has also been ignored here, because, after all, that again forms new purchasing-power for those who receive the money.

a strongly falling market price there is a shortage of money, or of purchasing-power, — originates in other circumstances. They are credit matters. For by a sudden heavy fall in prices, there will often be an atmosphere of panic, accompanied by the cancelling of credits while, at the same time, there is often a buyer's strike, owing to which the stock of purchasing-power remains unemployed.

* * *

In conclusion, we again repeat the all predominating economic factor,

“every product creates its own value in purchasing-power”.

For it was armed with this knowledge, that the solution of the following world problems, which will presently be described and elucidated in the other chapters, was found.

1. The prevention of crisis and mass unemployment.
2. The ending of the sad conflict between capital and labour.
3. An economically justified manner of liquidating the very high war debts.
4. Many valuta-problems i.a. whether gold is favourable or an unfavourable factor in our economic society.
5. Whether the exportation of “purchasing-power”, the lending of money to foreign countries, is economically justified or not.
6. The question whether it is desirable or not to make a vanquished enemy pay a war contribution, and to make *him* repair the damage done by himself.

It will very likely astonish the reader, that this point is also considered a “problem”, because the reader considers it only natural. But let him have a little patience, until he has taken cognizance of my conceptions with respect to this undoubtedly important question.¹⁾

¹⁾ Already during the war the contents of this and a few other chapters of this book were put before some of my fellowcountrymen, leading figures in our economic life of course confidentially.

THE ADVANTAGES ATTACHED TO A RISING TURNOVER

Shortly before the war, there were people in our country, who said:

- a) that the Dutch nation was living beyond its means.
- b) that there was lack of balance between this high standard of living and the unfavourable development of the economic and financial world conditions.

At the time (autumn) 1938 I did not agree with this diagnosis¹⁾ and replied to it²⁾ as follows:

In the twenty years that I have been studying economic world problems, I have come to exactly the opposite conclusion, and that is: the crisis situation, in which the world has for many years been, is, it is true, a result of lack of balance, but a lack of balance resulting from too *low* a standard of living, at which a great part of the world (so the Netherlands as well) is living, in view of the fabulous riches which are present in the world in the form of minerals of all kinds, and also the very great production apparatus which humanity has at its disposal, of which riches and production possibilities an important part remains unutilized.

Since the diagnoses of this sickness are at such great variance, it can only be, that remedies too, which are proposed for the recovery of the patient, must greatly differ, — on the one hand (the Dutch Government),

“retrenchment to the utmost limit”

on the other hand (the writer of this book),

“Let the money roll, and rather raise the living standard of the masses than lower it. (Plan B of “Quo Vadis?”),” and further:

“Even shorten the “life” of some of the principal products so that a new production-possibility may come” (plan A. of “Quo Vadis?”)

¹⁾ Of the well-known nine prominent Dutchmen.

²⁾ In my “Quo Vadis?” brochure part II (November 1938).

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Retrenchment will not get us there.

In the Netherlands, in the crisis-years which preceded this war, for seven years long we have witnessed a policy of "Deflation", which means: retrenchment to the utmost limit", and that in a world which is utterly sick through suffocation in its abundance.

It has always been a riddle to me, that people have been able to follow this path, have even followed it so long without a catastrophe having come sooner.

For, as an industrialist, I know only too well, that a policy of "retrenchment to the utmost limit" means, that always lower salaries and wages are paid, that consequently there is always less purchasing-power available, so that there is always less buying, and, as a result, always less production possibility.

It is true, that this retrenchment on public expence by the lowering of the salaries of the civil servants, leads to reduction of the state expenses, as a result of which apparently fewer taxes would have to be levied, and the pressure, which is thus exerted on every production unit too, becomes less, yet this advantage is only imaginary. Because, for the manufacturer, "retrenchment", as already demonstrated, results in a fall of the turnover, and through this, the pressure which is exerted per production unit by the so-called overhead expenses, becomes greater. For anyone who is acquainted with industrial life, knows that the great evil attached to a decrease in the turnover in the concerns is caused by the fact, that those overhead expenses do not decrease with the turnover, even remain practically stationary, so that the pressure per production unit in case of decrease of the turnover becomes greater and consequently the profits fall.

Every advantage resulting from the lowering of taxes is lost owing to the rising of the pressure exerted by the stationary overhead expenses on the lower turnover, and consequently on each production unit.

Entrenchment does not lead to a cure of this evil, the results are even quite the contrary. For in consequence of the reduced possibility of turnover, competition will again become greater, bringing with it a further fall in the profits, and necessitating the dismissal of workmen and staff. The number of unemployed will consequently *again* rise, as will the dole payments. This will lead to the rising of the public expenses again, probably by the same amount, perhaps even

THE ADVANTAGES ATTACHED TO A RISING TURNOVER

more than what on the other hand, has been retrenched, while, owing to the reduced profits in the concerns, the yield of the taxes becomes lower, and so the public revenue is still further reduced.

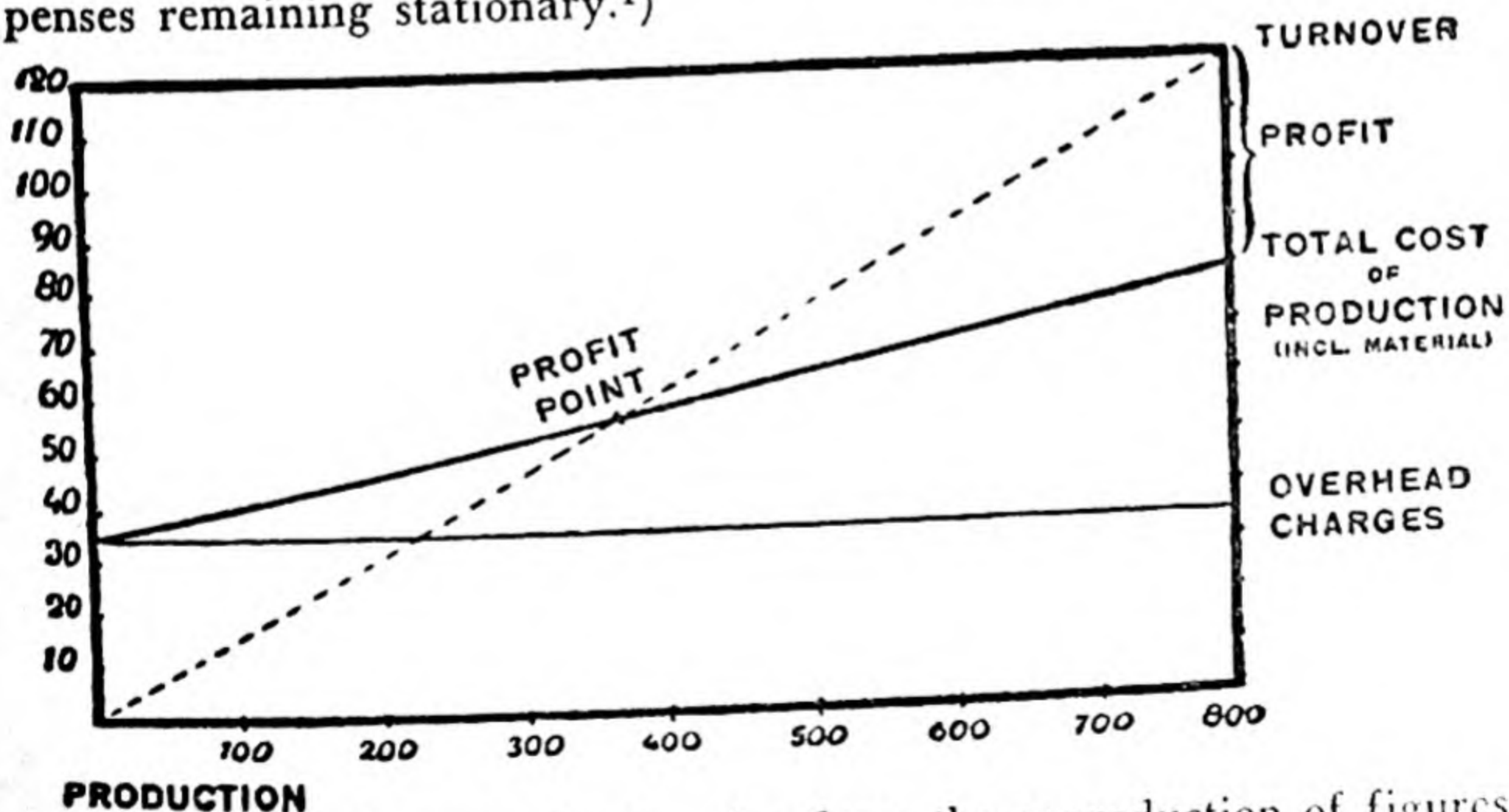
And so I emphatically state, that this path will not lead to any improvement.

Increase the turnover to achieve prosperity:

And so the only possible way to put industrial life, and with it the entire economic life, on a healthy footing and to combat unhealthy conditions such as a crisis, with its accompanying mass unemployment, is to strive to attain *an increase in turnover* and in consumption, together with a greater utilization of objects of utility and of capital goods.

For by increasing the turnover, the pressure of the taxes, even though they might be a little higher than in such a period of deflation, will be lower *per production unit*. The same applies, but to a very much higher degree, to the pressure per production unit exerted by the stationary overhead expenses.

Below follows a schematic representation from which appears the great influence exerted by a rise, or fall as the case may be, in turnover on the profit figures and this as the result of the overhead expenses remaining stationary.¹⁾



All this speaks very clearly, also from the reproduction of figures below borrowed from the data of one of the biggest American motor-car companies, the General Motors Corporation.

¹⁾ Taken from „Quo Vadis?“ brochure part II.

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PROFIT FIGURES IN MILLION DOLLARS

Year	Net sales	net income available for dividend
1924	568	51
1925	734	116
1926	1058	186
1927	1269	235
1928	1459	276
1929	1504	248
1930	983	151
1931	808	96
1932	432	0.164
1933	569	83
1934	862	94
1935	1155	167
1936	1439	238
3rd 1937)	375	44.481
quarter 1938)	171	5.397

After all, these figures speak *volumes*, and confirm everything that I have said with respect to the *overhead expenses* of the concern, viz.

1st that when the turnover is slight, the profits are swallowed up by the "overhead expenses" which remain stationary.

2nd that when the turnover rises, in which case the "overhead expenses" also remain stationary, the profits rise by leaps and bounds, because on the extra turnover the "overhead expenses" no more exert pressure per *production unit*, and consequently become profit too.

One might better say, that, as the turnover rises, the pressure per production unit exerted by the overhead expenses of the concern, becomes less.

Just look in the above table at 1932, the worst year, with a turnover of \$ 432 millions and practically *no* profit, whereas in 1936, when the turnover was a good three times as great, again *very high* profits were made.

This is most striking in the third quarters of the years 1937 and 1938 respectively.

THE ADVANTAGES ATTACHED TO A RISING TURNOVER

In 1938 (3rd quarter) a turnover of \$ 171 millions and \$ 5.397 millions profit.

In 1937 a little more than *double the turnover* (\$ 375 million) and a profit of \$ 44.481 million — being a good *eight times* as much.

The statement produced below, of this same company, also covering the third quarters respectively of 1937 and 1938 again shows this, but especially clearly confirmed by it is the great influence of the "overhead expenses" on the profit figures, whereas the overhead expenses "depreciation" when the turnover is lower (1938) is even higher than when the turnover was *twice as much*. (1937).

At the same time it appears from these figures, that when the turnover is double, four times as much is paid in taxes, and after that the net profit earned was even more than eight times as much as that earned in the third quarter of the preceding year.

All this without taking into consideration the extra taxes which will be yielded by those, connected directly or indirectly with the concern.

* * *

There are tens, nay hundreds of examples, though they be of smaller concerns, like the one brought forward here below of one of the greatest world concerns.

The American Railways give the same picture; in the bad periods the profits are swallowed up by the overhead expenses, even to such an extent, that there are losses, and only when times become better, thus when the turnover (traffic) becomes great, do they return.

Moreover, every acting manager (producer) knows that phenomenon all too well from his own concern, consequently from his own experience, and so one should be all the more astonished, that the very serious disadvantages attached to a *fall* in the turnover, and the very great *advantages* attached to a rise in the turnover, have not been realized in good time, and that therefore a *rise in the turnover* has not been acknowledged to be the only saving remedy in times of crisis.

So instead of pursuing a policy of deflation in those crisis years, which was naturally entirely wrong, the solution of the difficulties should just have been looked for in the direction of an increase in the turnover.

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Now that way was already pointed out by me in 1938 in the already mentioned „Quo Vadis?“ brochure.

GENERAL MOTORS CORP.

	1938	1937
Net sales	171.808.309	375.510.034
Gross profits	22.113.223	62.176.450
Allowance for depreciation	11.775.875	10.725.354
Balance	10.337.348	51.451.096
Undivided profit subsidiary companies and/or loss	2.221.862	5.240.270
Profit	8.115.486	56.691.366
Pension fund	138.682	2.761.120
	7.976.804	53.930.237
Taxes	2.579.000	9.449.000
Net profits	5.397.804	44.481.237

Wallstreet Journal Oct. 1938.

MULTIPLICITY OF THE MONEY
CIRCULATION

Up till now, it has been too little realized, that the production process not only *directly* causes ¹⁾ a multiplicity of the circulation of money, but that the indirect circulation of money brought about by it, is still much greater, and also its multiplicity is much greater in consequence. This will become very clear from the following example.

A short time before this war, the Management of one of our great Steamship Companies showed a film, which illustrated the construction of its newest ship in all its stages.

In it is shown most clearly, how many industries, which apparently have nothing to do with shipbuilding receive great orders, and consequently have much work for their workmen to do, while the casual observer is not aware of the connection between those industries and shipbuilding.

First was shown us in the first part of the film, among other things, the laying down of the keel, and from that moment onwards, the gradual growth of the hull, and also of the measures to be taken for placing of the tremendous machine installations which were built by works especially fitted up for that purpose, in the hull.

If I might make an observation here, then it would be, that the value of the film would have been still greatly enhanced, — certainly for the purpose for which this chapter is written — if this had already begun with the mining industry, even by the sinking of the shaft as the very beginning of the production process, then the furnaces, the iron works with the rolling of the iron, further the obtaining of the fuel (coal, oil), and then all the various transport concerns — steamships, railway, and motor vehicles —, conveying the ores, and the semi-manufactured and the finished products, up to the moment that they are in possession of the shipbuilding company.

In the same way, we can follow the forest industry and see the

¹⁾ In the chapter "Origin and use of Purchasing-power" it is shown that the direct circulation of money caused in the production and distribution process, is about three times the value (retail price) of the product.

wood cutters at work, the transport of the trunks, often independently floating down the rivers, the saw-mills, the transport of the timber finally to arrive at the timber-works.

But now I have already wandered into the second part of the film which begins, after we have seen the huge hull gliding calmly and surely into the water.

Industries connected with ship-building.

Then, however, comes a long series of industrial enterprises all actively employed in executing the various orders of the ship-building company, in consequence of which it will be possible to deliver a ship to the steamship company, quite complete with inventory and all.

And then we see, in a long row, the factories where the tremendous motors, electric and otherwise, are made, which will drive the ship across the seas, the cable-factories where the numerous kilometres of electric cable of various thicknesses are made, the timberworks which make masses of doors and wainscots according to the most modern methods.

After that, it is the turn of the factories in which strenuous work must be done to complete the inventory of the ship. So we see carpets being made for the various drawing-rooms, the little mats for the cabins, the floor covering for the corridors and doorways, the stair-carpet for the stair-cases, then the china and earthenware, the knives and the forks, the former of which we see being forged under the modern steam-hammers, we see enormous quantities of linen produced by the looms, and in a furniture factory the fittings for the various drawing-rooms and the furniture for the cabins being got ready.

For an hour at a stretch, we see on the film one industry after the other and we are struck by the sight of those thousands of people, who have to work for years to deliver that finished ship weighing 18 million K.G. This gives us a clear idea of what a tremendous power and significance in our community "production" is.

It can never be realized better than by seeing *that* film, to what an extent it is the *community*, which, during the period of production and distribution of the products, and certainly of such extensive products as ships which necessitate such intensive labour, reaps the great advantages in the form of great circulation of money, of the

MULTIPLICITY OF THE MONEY CIRCULATION.

creation of purchasing-power accruing from it, and, what is most important of all, the creation of "work"!

Multiple circulation of money.

By means of this example, the building of a great sea-castle, I will here show, that production in general, and very particularly the construction of such great pieces of work as a ship worth many millions of guilders, brings about a considerable circulation of money and the consequent creation of purchasing-power. And it is this circulation of money, of which it has repeatedly appeared to me that its extent and multiplicity is highly under-estimated and with it its tremendous importance for our entire economic society.

The underestimating, or rather the not realizing, or, at least, not sufficiently realizing the extent of that circulation is one of the principal reasons that no one has yet succeeded in finding the correct way to solve the crisis problem.

The Pond.

I must now request the reader to place himself for a moment on the bank of a great pond, on a windless day so that the surface of the water is as smooth as a mill-pond.

If we now take a stone, and throw it into the middle of the pond, we shall see it disappear with a splash. The water splashes up, and then a circle of ripples forms round the spot where the stone disappeared. At first it is a small circle, but the water bubbles up high, and in continually widening circles we see more circles forming round the first, and if we were to use a gauge, we should not only see that the circle becomes bigger, but also that the bubbling of the water becomes a little less as each new circle is formed.

The forming of these circles, thus the rippling of the water, continues almost endlessly, till at last it dies out on the shore. But, if the surface of the water were to be limitless, it is true that at a certain moment it would no longer be possible to observe that rippling with the naked eye, but *all the same* it *would* be there, and so spread itself further regularly. Very likely, it would only be possible to determine this fact with very delicate gauges.

It is the same with the rippling of the water as with the wireless-

waves in the air. In wider and wider circles, further and further they spread, almost infinitely.

Now this example of the continuous spreading of the formation of circles on the ripple-less surface of that pond is the correct image of the "circulation of money" in our economic organization, caused by the "production" and the "distribution" of the product.

Naturally the circulation of money occurs daily, and is endless. Every human being, it does not matter whether he lives in prosperous or in distressed circumstances, must eat, drink, dress, needs a roof over his head, and can afford to spend money on pleasures and luxury, according to the size of his purse.

All this causes circulation of money.

But as a result of the fact that a considerable part of our production apparatus was at a standstill before the war, — we already know of America, that till shortly before the war the steel industry was only working at half capacity, so that the other half was unutilized production capacity, — and we know too that in the world before the war there were still 15 million unemployed,¹⁾ which also meant unutilized production possibilities — the circulation of money before 1940 was naturally considerably smaller than it might have been.

If all these production possibilities *had* been utilized the circulation of money would have been considerably larger, much quicker, and consequently the "purchasing-power" would have been greater too.

We shall now show the circulation of money in its multiplicity, taking as our example an important work of construction similar to the one we mentioned in the beginning of this article, the building of a steamship.

The building of the s.s. "Nieuw Amsterdam".

As what is written here will be destined not only for the Dutch reader, but sooner or later also for America, I shall mention in my example a steamship that at the time occupied a special place as a Dutch product in the hearts of the Americans, and that is the s.s. "Nieuw Amsterdam".

The cost of building the ship was stated to me at the time as from

¹⁾ Apart from the many millions that were only partly employed.

MULTIPLICITY OF THE MONEY CIRCULATION.

14 to 15 million guilders, but as for the following description it matters little whether it was half a million more or less, I shall, for the sake of convenience, keep to the round figures of 15 million guilders, and shall ignore the fact whether this is in agreement with the exact figures or not.

In the first part of this chapter, I have already described how the building of such a ship occurs, and the cost price of that ship of 15 millions is consequently the result of the services rendered by the various concerns with their staffs to deliver that ship including the whole inventory ultimately ready for use, and to get it ready to start on its voyage.

The reader probably already knows from the "Quo Vadis?" brochure my theorem that the price of a product is made up of *costless raw materials*,¹⁾ plus the "remuneration" of all possible services — e.g. labour — rendered during the period of production and distribution. And so, too, the whole 15 millions which were spent on the building of the s.s. "Nieuw Amsterdam" is the sum of raw materials which cost nothing plus, as already stated, the remuneration of all those services rendered, to a sum total of 15 million guilders.

Where the circulation of the money commences.

The remuneration of all those services to be rendered, began, as far as the s.s. "Nieuw Amsterdam" is concerned, in the digging of the ore out of the iron mines, and there is included in the price of the ore even a part of the construction of the whole installation of the mine, and that in the form of a writing off of a certain percentage for depreciation.

And so all the actions and services further necessary for getting that ship ultimately quite ready, are parts of that 15 million guilders. I have sometimes been asked, whether expenses which also occur during the building, such as insurance for instance, can be reduced to pure rendering of services. My answer is, without any doubt, in the affirmative, for with the insurance money are paid, the management and staff of the insurance office, and the intermediary person who concluded the insurance. All the expenses of that concern are paid

¹⁾ In the crust of the earth God has given mankind minerals *ad libitum*, whilst the fertile surface of the earth also brings forth agrarian products in great abundance — all quite gratuitous.

with it, the profits are paid out of the insurance money ¹⁾ while the difference between the total of the profits and the expenses, and the total amount of the insurance premiums is, of course, intended for the repair of the damage suffered, if not on board the s.s. „Nieuw Amsterdam”, then for damage done to other insured objects, the repair of which is also another service to be rendered. So it appears from all this, that insurance too is decidedly: compensation for services rendered.

While already in the film mentioned it clearly appeared how many concerns and numerous other factories have had to co-operate to deliver a ship complete with a full inventory such as, cable, motor, linen, earthenware, it is still desirable that I should draw attention to the fact that still very, very many more industries, both at home and abroad, have co-operated in supplying the material, so rendering services, as a result of which the ship could finally be delivered, complete. For the supplier of the carpets, for instance, requires wool to make them, and that wool has first come from the wool merchant, and he probably has obtained it from Australia, so that shipping concerns have been necessary to convey the wool from Australia to our country, where the dye works have had to supply the dye to colour the wool, while at the beginning of the process the *wool merchant* in *Australia* has had to obtain this wool from the farmers, herders, and shearers who have had to shear, thus harvest, the wool from the original producer, the sheep.

Here I only mention one example, that of the carpet-manufacturer, but we could check the career from the very origin, piece for piece: how an electric cable is made, how knives and forks find their origin in the iron mines and the furnaces, the career of china and earthenware, and of all those products which constitute the ship with its inventory.

At any rate, from all this can be seen, that in the building of such a ship, verily not only the shipbuilding company is benefitted, but hundreds of concerns at home and abroad.

Here I must remind the reader, that I already wrote in the “Quo Vadis?”-brochure, that in the future, products and raw materials which are not manufactured or not found in one's own country, will have to be obtained from abroad exclusively through “barter” of

²⁾ That is the compensation for borrowed money (working capital).

MULTIPLICITY OF THE MONEY CIRCULATION.

products, each country, and so the Netherlands too, having to possess raw materials and products, for foreign raw materials keep its payingbalance in equilibrium. It goes without saying, that for that purpose we can render services to the foreign countries too.

From this it follows, that the value of the products or raw materials to be imported from abroad for the building of that ship may also be counted, as if they were Dutch raw materials or Dutch products, so that the building of the "Nieuw Amsterdam" of the value of 15 million guilders, already *during the building* would cause a circulation of money in *The Netherlands alone* of the whole of the cost of the building, consequently of 15 million guilders.

Now: the multiple circulation of money.

That is the first time that this amount of 15 million guilders has been put into circulation, but I shall show, however, that this same amount of 15 million guilders circulates still many more times.

Already I have written in this article, that everyone needs "provisions", and objects of daily use, for the sake of brevity I will call it "bread" here, then he needs clothing, housing, and further luxuries, the latter is summarized under the word „luxury". It makes no difference whether it is a manager of a shipbuilding company, or a shareholder in that company, whether a manager of a cable factory or a carpet factory or a simple rivetter or the engineer in a carpet factory: they all need: bread, clothing, housing, and each will gladly spend some of the money he earns on luxury.

Now all those thousands and tens of thousands of workers, who have constructed that steamship, will have to buy with that sum total of 15 million guilders: bread, clothing, housing and luxury. And they all go with that money to the baker, the butcher, the tailor and the landlord, and probably to the "pictures" or to shops, where ornaments or other articles of luxury are sold.

Now, at the end of the week the baker must pay his servants, and the tailor too. And the landlord cannot let his house before it has been built by the contractor, who in his turn employed the mason, the hodman, the carpenter and many other workmen employed in the building trade.

And so we see the second circulation of the whole amount of 15 million guilders, as it is taken to the baker, the butcher, the land-

lord and the "pictures". And we see the third circulation when the baker and the tailor pay their workmen, the landlord has his house built, and the man who exploits the "pictures", at the end of the week hires the films for the new week.

The fourth circulation takes place, when the baker's man and the workmen of the tailor in their turn, with their wages in their hands, must go and buy bread for their families, and pay their rent, and buy clothes for themselves and their wives and children. The same occurs with the carpenter, the hodman and the mason, who with their weekly wages must provide for their own support, and then there is the hirer of films, who also has to pay his office-staff, who in their turn must provide for their subsistence.

As in the pond.

And so, reader, we see that this money continues to circulate just as endlessly as the ripples on the surface of that pond.

Continuously new circles, continuously new circulation, but in wider and wider circles a wider and wider circulation, so wide even that ultimately it includes our entire economic society, and does not pass over one single member.

For do not let us forget, that the baker must not only pay his men, but also the man who supplies him with meal and that that supplier of meal in his turn pays the miller, and the miller receives the grain from the farmer, perhaps through the medium of a wholesaleddealer, and that the transport industry has repeatedly played a role in getting the grain from the land to the miller and from the miller to the corn-dealer and thence again to the baker.

And, that after all, the farmer requires agricultural implements and that these too must be conveyed, so that the dealer in fertilizers ultimately has helped to get the "Nieuw Amsterdam" ready for sea.

The tailor in his turn does not only have to pay his workman but also the man who supplies him with cloth, and the latter has to pay the weaving mill and the thread factory, and finally the latter, just like the man who supplies the carpets, comes to the shearer in Australia, while in that process too, transport has repeatedly rendered its services.

Reader, it will certainly not be necessary further to sum up for you all those links in our economic life, which are all indispensable, which

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all, again and again, mean a new circulation of the money, which circulates till it apparently comes to a stop at the first producer, namely the miner, the farmer, the shearer, the brickmaker, the wood-chopper, ad lib. and even there does not stop, for those people too, who find the raw materials in their original state, in their turn require bread, clothing, housing and luxuries, so that the circulation of the money proceeds again.

It seems to me, that I have given a very clear proof here, that a triple or quadruple circulation of money, as accepted by me in the "Quo Vadis?"-brochure, is much and much too low, and that even the six to sevenfold, which I have used in my publication "Restoration or New Structure" for my calculation, is also calculated much too low.

All this means that the building of a steamsip like the "Nieuw Amsterdam" will result in "The Netherlands" in an extra circulation of money, and consequently the creation of extra purchasing-power of about 100 million guilders, probably even considerably more.

Now the proof that this circulation of money is so manifold, and that the rising in purchasing-power resulting from it, is consequently just as important, is given in periods of boom. For, if that circulation of money was not so manifold, then it would never be possible that a national income (for instance in the Netherlands) in the boom period (1929) amounted to 4.367 milliard guilders, whereas during the low conjuncture (1935) it was not higher than 2.666 milliards, so that at the culminating point 1929 it was 1.7 milliards or 64 % more than in the low conjuncture 1935.

And America too, shows us a similar picture; in the crisis year 1938 the national income there amounted to 62 milliard dollars. Then came the orders from Europe for the necessities of war, while later on American herself participated in the war. Then there was work in abundance, and so too a great circulation of money and a great creation of purchasing-power. Through this, the national income rose in 1939 to 70 milliard dollars, in 1940 to 74 milliard dollars, in 1941 to 95 milliard dollars, and in 1942 to 117 milliard dollars, while in 1943 it even amounted to 148 milliard dollars, more than double that in 1938.

The difference between periods of slump and periods of boom.

But here I must repeat the very important fact that everybody,

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whether there is a slump or a boom, must always be fed, clothed and housed, and, if possible, also spend money on luxuries, with the result that in periods of depression, too, a great circulation of money takes place.

But as soon as one can speak of a *boom*, this consequently means quicker and so *extra* circulation of money, as a result of which, people can feed themselves *better*, can dress *better*, while, too, on the whole something better in housing will be possible. A great part of the extra expenses will, however, often be in the *field* of better pleasures, so more luxury. On the whole, in periods of boom, it goes without saying that "Art" too, will share in the great profits.

All our economic life will profit from such a boom, for just ask the baker, the butcher, the grocer, the pastry cook, the sweet shop, the manager of the picture house, whether he can notice the difference between a period of prosperity, and one of depression. And the tailor and the contractor know all too well the difference, and the latter will prefer to build for a principal who has a full purse.

So it is easy to understand, that the "prosperity" already begins *soon* after that *extra* circulation of money, resulting from increasing production and a better utilizing of our production machine, commences.

Further advantages.

Everybody will certainly now clearly realize from what has preceded, of what tremendous importance it is for a country like The Netherlands whether an object such as a steamship like the "Nieuw Amsterdam" is built in our Dutch shipyards, or that we have such a ship built abroad for a slightly lower price, and ourselves have unemployed, hanging about doing nothing. It is true, that at the end of the week, they get a meagre dole for themselves and their families, but it would be a great deal better, if they were productive again, for, from this, too, comes much more circulation of money than from the dole which the state pays them, not considering the disadvantages of the growth of the national debt, which accompanies it.

It is easy to understand, that the building of such a great ship in a Dutch shipyard results in a considerable increase in turnover in many Dutch industries. We have already been able to see in the previous chapter how great the advantages attached to it are.

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In conclusion, it appears from everything, to what a great extent a multiple circulation of money is brought about by the process of production, but also it will now be clear to the reader that this is an extremely important and very favourable economic factor, which may not be ignored.

* * *

These last two chapters, entitled

“The advantages attached to a rising turnover”

and

“Multiplicity of the circulation of money”

point in the same direction, namely, that the means for the combatting or the prevention of crisis and mass unemployment must never be looked for in the direction of *decrease* of the production possibility, but always in its *increase*.

It has just been the great mistake of the leaders of many democratic countries during the crisis years — especially in The Netherlands this very serious mistake has been made — that they have thought that they had to look for the correct means for combatting the crisis in “deflation”, or in other words in entrenchment to the limit. Such a deflation naturally results in a considerable reduction of the absorption of the products, and with it, just as great a reduction in production-possibility. And this, in a world sick to suffocation in a superfluity of unsold products, is of course, simply putting the cart before the horse.

Only the fact that, at bottom, The Netherlands is a thoroughly healthy country, with a moderate, even calm population, has prevented this wrong policy from developing into a catastrophe.

* * *

The great importance of what has been written in the two last chapters, will soon appear to the reader. For such important problems, as

- a) The conflict between capital and labour;
- b) The prevention of crisis and mass unemployment;

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- c) The question whether capital export (the loaning of great sums of money abroad) is economically justified or not, and also,
- d) whether or not it is of advantage to the winners of a war to make the vanquished enemy pay a great war indemnity, and to make him repair the damage done by himself,

will only be solved by seriously taking these factors into consideration.

CHAPTER XIII

ANNOUNCEMENT

Before describing and further elucidating in the following chapters the plans which will lead to the building up of a new and better Europe, even of an entirely new and better world, it will be desirable first to suggest a good solution for some difficulties, which might be considered „hindrances” in the building up of a new and better world, namely:

The recovery of our economic organism, and further:

The liquidation of the very high war-debts, and

The repair of the war damage.

Now these three problems will be treated first in the following chapters.

RECOVERY OF OUR ECONOMIC ORGANISM

Undoubtedly the mass destruction which has occurred both on land and on the water, by gun-fire, conflagration, air-bombing or by the torpedoing of ships has given rise to the impression, that this time it will be long before the economic organism will again be able to function normally.

The transport of raw materials is carried out chiefly by ships, and of those many millions of tons have been destroyed. Numerous factories have been laid in ruins, and a considerable proportion of the means of transport by land — railway trains, motor-cars, etc. have been destroyed by violence of war.

The poverty complex which raises its head anew after each war finds new material in all this.

As to the damage inflicted itself, if we leave out of consideration the irremediable, deeply regretted loss of life, of art-treasures and of buildings of architectural value, of course recognizing all this as the irremediable disadvantage of war, than all the rest that has been destroyed, such as dwelling houses, farms, factories, machines, ships, railway carriages and trucks, locomotives and motor-cars, looked at from a purely economic point of view, has been nothing else but the destruction of pieces of accumulated work, *formerly carried out*. We may regret this very much and it may have caused a great loss of capital, to which reference will again be made later on, but we shall act wisely if we do not take it *too* tragically, as we shall immediately demonstrate.

Danger of overestimating the duration of the period of restoration.

We must even take care not to overestimate the production-possibility which this work of repair will bring with it. Certainly, destroyed, or badly damaged towns and villages, which are to be found in abundance in Germany, England, France, Italy, Hungary, Russia and Poland, and in our country too, will require many years for re-building. But, as far as the remaining work of repair is concerned, this will be completed sooner than is generally accepted.

RECOVERY OF OUR ECONOMIC ORGANISM.

There is a danger that, in the conviction that for *many* years there will be plenty of work, *timely* measures will not be taken to prevent a new economic depression, should the work of restoration be actually completed earlier, probably much earlier than is expected.

What those measures to be taken should be, we shall presently go into further in the chapter entitled:

“Prevention of crisis and mass-unemployment”.

It is desirable to point out, that after the last war, in France, the most heavily hit country, only 4 % of the soil was devastated, and this too could soon be cultivated again, after having been cleared of bomb fragments.

As to the ground in Europe, intended for agriculture and cattle-breeding — not including European Russia — that has not been nearly as badly damaged as during the last war, and now the war is over, will, for the greater part, soon be suitable for one of these purposes. Of course, many kinds of manure will be required to obtain intensive cultivation and for reasonable returns, but this is one of the general subjects, to which we shall immediately return.

Tonnage.

We have already written about it, thereof is more than sufficient. Very soon America will have even too much tonnage. It goes without saying, that, for the time being, the Far East will require much of it.

As to the lost European tonnage, in English shipyards and in those of the continent, very soon many ships will be built, so that the loss will be made good within short, probably sooner than is generally anticipated.

After the last war, the lost tonnage was also quickly replaced. Already soon after that war, the newly built American shipyards had to be closed down, while in 1919 the Dutch tonnage had again reached the level of 1914. The world tonnage in 1924 was even considerably greater than in 1914.

Of some raw materials so much was supplied in 1919, that already in 1920 the supply had to be *considerably* reduced.

* * *

Now the war is over, in the beginning it is inevitable for the state

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to regulate the supplies, if only this control is not continued *one day longer than is absolutely necessary*.

Our economic organism is accustomed to and arranged to help itself. The manufacturers have for years made use of commission agents as links with their foreign suppliers. There are the shipping companies to carry the goods bought, and the warehouse men to assimilate them in the country of export as well as in that of import and, in the port of arrival, to deliver them to the buyer. All this is done with a minimum of trouble, and so with a minimum of documents.

With the state as "leader", all this takes ten times as much time and trouble, and ten times as many documents are necessary, not to mention the annoyance on the side of the industrialist and the ignorance and red-tapeism on the side of the officials and/or the regulating authorities.

The Board of the N.O.T., which institute did such good work in the last war, at that time realized this very clearly and correctly and so withdrew as soon as this was at all possible, and left it to our economic organism to help itself.

And everything went well, and if no serious blunders in the field of economy, resulting in a world crisis, had been committed then, to day we should probably have been still free from regulating measures.

Our production apparatus.

As to our production apparatus: if we consider the *whole* production apparatus that mankind has at its disposal — taking into account what was destroyed in Europe, but also taking into account the extension which the English production apparatus underwent during the war, and especially the tremendous extension which the American production apparatus underwent during the same period — we shall see that it is rather greater than smaller than it was before the war. And, as far as the production apparatus of the European continent is concerned, in so far as it has not been destroyed or badly damaged, only part of it has worked at full capacity during the war, and that part was the war industry, and the rest, especially the factories concerned with the food supply have worked rather less than more than normally.

And so there has only been more wear and tear in the war industry. But only the revolving parts of machines wear out, and it is not very

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difficult to repair them.

For most machines are discarded not because they are worn out to the thread, but because they have become quite out of date, and can better be replaced by more modern ones. Well, we shall have to wait till a few years after the war, before we can do this.

We know that in Germany and Russia very much has been destroyed, but, as far as Russia is concerned, a tremendous industry has, in the meanwhile, been set up in Siberia, while it appears from radio reports, that there is still a great part of the German production apparatus left. That, in accordance with the decisions arrived at in Potsdam, a great part of the German production apparatus will be transferred, to Russia, and probably another part to other countries with damaged factories, is a matter to which we shall refer again presently.

Of the production apparatus in France, Belgium, England, Scandinavia and the Netherlands, comparatively speaking, that in the first mentioned countries has not suffered so very badly. It is true, the Dutch production apparatus, together with the passage across the rivers, has suffered badly, so that the transport problem there (for coal too) will, for the time being, cause serious difficulties. Further, in France as well as in the Netherlands, the ports and harbour works have been seriously damaged. We shall refer to this again especially in the chapter "World Recovery".

The Netherlands, however, is too small a country to have much influence on the world-production capacity.

But if, as already said, the *total* production capacity at the disposal of mankind, now that the war is over, is rather greater than smaller than it was before the war, then — at least in theory — the possibility for the nations jointly to live in prosperity has also become greater instead of smaller and in that case, what I wrote in my "Quo Vadis?" brochure about the last war also holds good for this war, namely that, however paradoxical it may sound — this war too has given birth to wealth.

The transport problem.

During the first few years, the transport problem will give rise to difficulties. Motor-cars and rolling stock have suffered very much from the violence of war. But we must not forget, that now the

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war is over, they all can be repaired or new ones can be made in those factories, where during the war, tanks and cars for military purposes have been manufactured. It will be possible to make rolling stock quickly enough, in factories where guns and other war materials have been manufactured.

As to the labour problem, we know that shortly before the war there were still about 15 million unemployed in the world. We can safely raise that figure by the 7 million unemployed which were in Germany just before the coming into power of the Nazi-regime, and which were set to work under that regime, either in the war industry or on the improving the towns at the cost of the treasury, or were absorbed in the army as soldiers; in any case relieved of their unemployment in a manner *not* economically justified.

We can, therefore, take the sum total of unemployed at 22 million, not including the many millions who were not fully employed.

Now many people have perished in the war, and others have become unfit for the production process — here we leave Russia out of consideration, — but, roughly estimated, those losses will not approximate more than one third, very likely at the most half of that 22 million, against which there is a large amount of female labour, which, now the war is over, will continue to participate in the production process or in the distribution process, so that there need be no lack of labour, although, in the beginning, there will be a lack of skilled labour.

Just like after the last war, in the beginning there will be much unemployment.

This time the war has lasted too long and, in consequence, the disorganization of our economic organism, at least in many countries of the continent, has become too great. All supplies have been exhausted, so that it is difficult to get the production apparatus working again. The shortage of coal is especially making itself felt, while work shyness that serious evil, is a problem of itself. We shall again refer to this, later on.

But in spite of all these difficulties, it is clear, that also in these countries progress is made daily. Trains are running again, the supply of coal is already improving, there are trams again, be it only a few trams a day in some places, and there is gas and electricity again. However the coming winter will still be a very difficult one.

RECOVERY OF OUR ECONOMIC ORGANISM.

Products of the Far East.

Although the war in the Far East has now also come to an end, it will still be some time, perhaps even a long time, before things there have returned somewhat to the normal state of affairs, so that the nations of the so-called Western civilization will have to manage, for the time being, without the products which the East produces.

The purchasing-power.

As to the question of the purchasing-power and the money which will be necessary to set the producing machine going again, that need not give rise to any anxiety. The work of restoration will chiefly be paid for by the State, which will have to borrow part of the necessary money. Now this will again raise the national debt, but, as will presently be demonstrated not in an alarming manner.

For the rest, the war years have sufficiently proved, that there was money enough in the possession of both private persons and of industry, — for the big public loans which were floated were fully subscribed, though under a certain pressure — so that, now the war is over, *in the beginning*, there will be money enough to set the production machine going and to absorb the products resulting.¹⁾

As to the middle-classes, the whole-saler and the retailer, most of them have earned good money in the war, and so have become financially stronger, which is much to be rejoiced at.

But the war has lasted a very long time, and owing to this fact a great part of those extra profits will have been used. But it is to be expected that, now the war is over, there will be still a middle class, which is financially in a sounder position than before the war.¹⁾

Purchasing-power creates itself.

Once the production machine has started going, we know — I already mentioned it at the beginning of this book — that every product which is turned out *creates its own purchasing-power*, so that the more that there is produced the more purchasing-power there will be, sufficient even to absorb *all* the products.

¹⁾ That is unless the treasury taps off all that money, now that the war is over.

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Sufficient possibility of production.

The chief thing is, it must be repeated, that humanity has sufficient production-possibility at its disposal; and so — theoretically considered — nothing need hinder it from building up a new and better world, in which lasting prosperity and even permanent peace shall reign.

Man his own obstacle to achieving prosperity.

Now I say here that there is nothing that need prevent man from achieving this, but it will appear in practice that things are different, for man stands *in his own way* of achieving this.

In my previous dissertation I have taken the world as a whole, without taking into account the fact, that man himself has subdivided his world into large and small parts and very little parts, which he calls continents, and states or kingdoms.

If one adds to this, that the people of one country are often filled with the spirit of envy towards those of another country better off than they are themselves, that they are often on a very hostile footing and even filled with hate and an excessive desire for retaliation, one finds in this the causes of the misery and the poverty in which a great part of the human race lived till shortly before the war, and in which it will very likely live now the war is over.

The consequence of allowing our passions to run away with us.

We know that after the last war these factors led to an entirely wrong peace, at least wrong *from an economic standpoint*, for at the peace of Versailles the sources of raw materials, the means of production and of transport were divided in such an unpractical way, that a sound economic revival here in Europe after the war, was out of the question.

If we still add to this a fabulous burden of debts imposed on the nations of Central Europe, a burden, which nipped in the bud every desire for energetic action, a burden which, as it was proved, was totally *unpayable*, then we see, that in all those measures taken after the war, the economic side of the problems was either simply ignored or anxiously avoided (as Prof. Meade would put it) which already after a short time came home to roost, first on the defeated nations,

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but ten years after Versailles on the victors too, in the world crisis which began in the autumn of 1929, and continued for many years afterwards.

If, now the war is over, people are again driven by feelings of hate and the desire for reprisals, if similar blunders are again committed, then the same thing will be repeated, by which first the defeated nations will be reduced to poverty and misery, but which ultimately the victors in this war will not escape and *then*, needless to say in the form of a world crisis which will undoubtedly be much greater, and so much more catastrophous than the previous one.¹⁾

On the other hand, if wise action is taken this time, and the stringent laws of nature and economy are respected, if, what is just as necessary, this time the mentality of the nations and their reactions to the peace stipulations are taken into account, then there is nothing to prevent mankind from building up a new and better world, in which lasting prosperity and peace will reign, coupled with the joy of living and happiness, for — it should be repeated:

the crust of the earth contains minerals in abundance, while coal and oil too, as sources of energy, are found in plenty.

the fertile surface of the earth is more than large enough to yield adequate agrarian products, while the swift flowing water forms an extra source of energy.

the production apparatus which humanity has at its disposal, has become even greater in total than it was before the war.

What has been damaged or destroyed, can be repaired or renewed within a few years. Great works, like towns and villages in Germany, England, France, Italy, the Netherlands, Poland, Hungary, and European Russia, will naturally take longer.

There will be sufficient labour to serve the whole gigantic production machine which we shall have at our disposal, and finally:

There will also be sufficient *money*, that aid to production, while the "purchasing-power", indispensable for bringing all the products

¹⁾ Although these lines were written before the conference in Potsdam, the decisions arrived at there, do not give rise to any alterations in what we have written above. As already said, we shall return to the conference in Potsdam, elsewhere.

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turned out, to their ultimate possessor, user or consumer, is created — redistributed — to an absolutely sufficient extent, as we have already seen, during the process of production and distribution itself.

We shall only have to distribute, in future, the purchasing-power thus to be created, in the correct manner, among all ranks of the population, so that no purchasing-power remains unutilized, and that there are consequently no unsalable products, but to this we shall come back in another chapter.

Handicapping factors, which all cause difficulties.

There is still one important point to which attention should be drawn. As it has been described above, everything is rather simple. And it would in reality be very simple, if... there were not some handicapping circumstances.

For the sub-dividing of our earth, first into continents, then into states or into kingdoms and little states, — all that brings difficulties with it.

For every state, whether great or small, has to see to it that its balance of payments is always in equilibrium.

Many countries however are in very great need of import of products and/or raw materials from countries which can easily supply them.

This will be the case with most countries of Europe, for they will have to import much for the rebuilding as well as for the replenishing of the exhausted stocks, and will do this for instance from America, which, with its great wealth of raw materials and its own colossal production machine will be able to supply Europe with much.

The latter the more so, because in America the production machine has been very greatly extended owing to the war, and no damage has been done to it by the violence of war.

If Europe could not offer enough compensation for such American supplies, either in commodities or in the rendering of services, we should run the serious risk of running deep into debt with America, where we are already deeply in debt through the war — through deliveries already made by America, or through services already rendered, during the war. (Lend and Lease Law.) ¹⁾

¹⁾ In Jan. 1945 the supplies and/or rendering of services by America to its allies represented a sum amounting to a good 36 milliard dollars. In September 1945 even 41 milliard dollars.

RECOVERY OF OUR ECONOMIC ORGANISM.

Naturally this incurring of debts to America results in the payment of interest and the redemption of the principal. This might lead to America converting more and more of its European surplus here on the various exchanges into European securities. The result would be that every year not only we should have to pay interest to America, and so further disturb the equilibrium of our balance of payment with respect to America, but all this might lead to disagreeable consequences for the countries of Europe.

So one of the most important problems will be to take care that Europe, as quickly as possible, recovers to such an extent that it will be able to keep its balance of payment in equilibrium in its economic relations with America and other countries, and that in a manner economically justified.

We shall presently return to the question, how that will be possible, in the chapter on "World Recovery".

The recovery.

Although part of the production machine must be set to work on the restoration of the war damage, and so will be chiefly in the service of the state, this only holds good for a comparatively modest part of the production capacity at each country's disposal. Naturally the part will be greater in proportion to the damage done, as for example in Germany, Italy, Hungary, Poland and Russia where the damage was very great. To a less extent in England, France, Belgium and The Netherlands, although of course in our country, as well as in England, there is still a great deal of restoration work to be done.

But there are numerous countries, such as America, Spain, Portugal, Switzerland, Sweden and Denmark, where little or no war damage has been inflicted, and so, where the whole production machine can immediately be set to work either for their own purposes of peace, or for supplies to countries where there is much to be restored.

Naturally, in every country, the whole food supply, and so the food stuffs industry, as soon as there is a sufficient supply of raw materials, will have to be set going as completely as possible. Then there are a great number of industries, for instance the textile-industry and those which make articles of utility ranging from small to very large, such as motor cars, and further the industries, or branches of

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industry, which produce capital goods, which all will have to be set to work at full capacity, as soon as possible.

The fine thing about our society is, that everyone has his task and does it, that there are various organizations, which have grown of themselves, and that they, as well as all individual workers will, of course, try to resume normal work again, as soon as possible. The sooner the natural organism functions again, without the retarding interference of the state (planned economy) the better.

We shall return to the repair of the war damage in one of the following chapters.

But the aim of this chapter was, to show the reader that the recovery of our economic organism need not bring insurpassable difficulties, *provided* we follow the wise, and so correct way in doing it.

Yet we shall come back also to this very important problem of recovery in part III, in the chapter "World Recovery".

In part IV the necessary attention will be paid to that very serious evil "workshyness".

NATIONAL DEBTS

In order to arrive at a manner of clearing off the national debts, which have risen to an abnormal height owing to the war, in a socially and economically justified way, we shall have to follow a different path from that which we have hitherto followed.

So far, every year great sums were levied in taxes for interest and the amortization of the national debts:

- a) on private persons (the better off) chiefly in the form of income tax and capital tax.
- b) on industrialists (industry, wholesale and retail trade) in the form of company capital and employer's tax, or income and turnover tax.
- c) on the employees, in the form of wage tax.¹⁾

As to the total amount of the public debts in the Netherlands, these amounted on 1 January 1945 to 12 milliard guilders consisting of 5,9 milliard consolidated and 6,1 floating debt. This would require yearly a sum of 720 million guilders for interest at $3\frac{1}{2}\%$ and redemption at $2\frac{1}{2}\%$, a total of 6%. This about corresponds with what our total national income amounted to before the war. And then we have not even taken into account the claim of $4\frac{1}{2}$ milliard guilders on Germany and the fact that there is still much war damage to be repaired.

But now all countries which participated in the war, either directly or indirectly, have high national debts. For instance, on 1 February 1945 the national debt in America already amounted to 240 milliard dollars, and in England to about 22 milliard pounds.

Once more, we shall have to look for other methods for clearing off such debts.

But in order to find these, we should first investigate what national debts really are. We shall have to trace their origin, and shall also have to determine what economic place they take in our society.

¹⁾ Here, for the moment, we shall leave out of consideration indirect taxes — with the exception of turnover taxes.

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To arrive at that, we shall have to take into account the factors already mentioned, namely,

- a) "that every product creates its own value in "purchasing-power".
- b) "that consequently, during the process of production and distribution — wholesale and retail trade — sufficient purchasing-power is created to enable every product to reach its destination, that is its ultimate possessor, user or consumer."
- c) "that during the process of production and distribution just as much "existing" purchasing-power is utilized, as new purchasing-power is created, while, moreover, the product itself is the result."

How do National debts, and in particular war debts, originate?

If a private person or an undertaking buys something, this happens, at any rate ought to happen, with the money, the purchasing-power, possessed.

Now the state does not possess any purchasing-power, does not carry on business, and has no industrial enterprises — with few exceptions — from which that purchasing-power could originate, and so the state is obliged to tap that money — purchasing-power — from others, in order to pay the supplies of the state via the treasury.

In times of crisis, and especially of war, when, generally in consequence of the big orders given by the state to the producers, public expenses are very high, then the tax moneys which come in via the treasury, are anything but adequate to pay for all the supplies to the state, or to finance the further public expenses consequent on the war, so that *then* another way has to be followed, the state borrows money. This also happens in peace-time, but then on a much smaller scale.

That, too, is the tapping of money — purchasing-power — from those who have money to spare, in compensation for which the state gives bonds. They are long-term loans. There are also short-term loans, the so-called treasury notes. But we shall restrict our further consideration more to those long-term loans, because, in the long run, those short-term loans should be consolidated in long-term loans.

As war-time orders often run into hundreds of millions of guilders

NATIONAL DEBTS

— dollars — pounds (or any other currency) every country incurs in such abnormal time public debts for amounts ultimately running into milliards — as already mentioned for our country — and issues government bonds for that amount.

Sterile purchasing-power.

Since, as we already know:

every product creates its own value in purchasing-power, and as, consequently, this will

also be the case with every product, manufactured now the war is over,

and since also

by all products turned out *from now on* sufficient purchasing-power will be created to bring them *all* to their ultimate destination.¹⁾ there will be consequently no products left to convert into products representing the value of the government bonds, which every capitalist and every undertaking will hold.

So the whole value of the public debts, and so, that of the total government bonds, can *never* be utilized as purchasing-power, and is consequently "sterile" or "valueless" purchasing-power.

Properly considered it will not be possible to buy even a box of matches with all our government bonds together, (and that runs as we know into several milliard guilders).

It is true, the individual holder of government bonds can realize one or more of his bonds, and so sell them to *someone else*, but then this someone else gives his good money for them, that is to say, his active purchasing-power, only to get sterile purchasing-power in exchange.²⁾

Floating purchasing-power. (Unusable purchasing-power).

It is logical enough that government bonds only represent sterile purchasing-power, for all those public loans — at least that part of them which has come into existence during the war — have originated

¹⁾ A reserve of "purchasing-power" for the making and maintaining of supplies is to be found in practically every country. But one must be careful not to use it for other purposes.

²⁾ Government bonds can only be utilized as "purchasing power" for great purchases such as the purchase money of an annuity.

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for a great deal from the so-called floating purchasing-power which existed during the war.

And that floating purchasing-power existed, because during the war, people could not buy any products with it. For the production of articles of food and articles of utility was very slight during the war, because much the greater part of the producing machine was producing for the war.

And *those* articles of consumption and articles of utility which were produced during the war, created their own value in purchasing-power, for which reason all "purchasing-power", created by war products, had to remain unutilized and so became "floating" (unusable) purchasing-power.

And the purchasing-power originating in the remuneration of services rendered in connection with the waging of the war, raises the total amount of the floating purchasing-power.

However paradoxical it may sound, under this heading falls the pay of the soldiers, which, in most cases, is utilized as purchasing-power immediately, at least quickly, and so is put into circulation. All the same, this pay increases the total amount of floating purchasing-power, at least in so far as it is utilized for products which are really intended for the civilian population.

Floating purchasing-power arises:

- a) from clearing stocks.
- b) from reducing the account "debtors" through which (the unutilized) cash in trade and industry increases. But part of this can be utilized to wipe out the debts, that is to say the account "creditors", partly or entirely.
- c) because the depreciation on capital goods, and the moneys which are reserved for that purpose, are *not* utilized for buying new ones to replace those which, in the meantime, have become worn-out or out-of-date.

But the sources of floating purchasing-power, mentioned sub a, b and c do not together yield as much as the sources mentioned above, viz. the production of war necessities, or the rendering of services in the waging of war.

A process of destruction.

Now all those war necessities which were turned out by the production machine during the war, (such as heavy guns, tanks, bombs, grenades) generally disappear from the scene of war again as quickly as they appear. They are destroyed.

When those war products have immediately returned to *nothing* through destruction, also the purchasing-power which they created is immediately valueless, as we have seen, that is to say, that part of them that is immediately converted into government bonds, for the latter are only camouflage for the purchasing-power which they in reality do *not* represent.

Part of the floating purchasing-power, however, is utilized during the war in the so-called "black market", where it drives the prices up, and competes with the sound purchasing-power which was created by articles of consumption and articles of utility, and practically shuts it out. Through this, the real purchasing-power again becomes floating purchasing-power.

As those government bonds and public debts now represent sterile purchasing-power, and their existence is only owing to that brutal process of destruction that is called war, we must manage to make those debts disappear in the same way as they came. So we must destroy them, as it were.

Now there are various ways of doing this: capital-levy for instance, or the reducing to one third, which was practised by Napoleon in the previous century,¹⁾ is of course the most radical way. But that is the most unfavourable way that could be followed, for by so acting in a country overburdened with debts, the citizens and the industrialists would be reduced to paupers. How unwise this would be, will be further indicated later on.

For even if the government bonds are sterile purchasing-power, in any case they can be sold if necessary, in which way sound money and consequently active purchasing-power can be obtained from others who, at a given moment, have money to spare. They can also be given as security, in which way, for instance, the industrialist can obtain cash. But in any case, they are interest bearing paper, although

¹⁾ Although Napoleon had only reduced the interest to one third, it is known that really the principal was also unfavourably influenced, to much the same degree.

this annual paying of interest by the state is only a shifting of the purchasing-power already existing from the pockets (cash) of one group of persons into the pockets (cash) of another group, and so a shifting which takes place via the treasury.

It is the same case with the annual redemption of such public debts, as was the custom hitherto. For that too is nothing but a shifting of purchasing-power through the intermediary of the Exchequer, and so via the treasury by which money — the purchasing-power — is tapped from all ranks of society, so from the masses too, to be put into the pockets of the holders of government bonds, who are comparatively small in number.

A new and better method.

Although those government bonds, and certainly *those* which were issued during the war, must disappear in the same manner as they came — so to “nothing”, which is what they really are — neither that process of destruction nor that process of disappearing must occur suddenly but extremely slowly, so that our entire economic organism can adapt itself to that destruction, in such a way that it is neither dislocated nor disturbed by it.

Now this can be done by the annual amortization of the principal, for instance by 1%, 1½%, 2% or 2½%.¹⁾

Consequently the interest each year would have to be paid on a principal which had been reduced each year by 1 %, 1½ %, 2 % or 2½ %.

After 100 years or 66⅔ or 50 or 40 years, as the case might be, the whole of that war-debt would, in this way, have disappeared.

The economic and the social side of the problem.

Considered from an economic as well as from a social point of view, this system of amortization is far to be preferred to the old method of redemption.

We have already written, that for interest and redemption every year amounts will be necessary which correspond to the total state revenue.

¹⁾ And so, a liquidation, carried out simultaneously, through reduction of the principal of all debentures.

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As a great portion of the taxes is yielded by the production and distribution through the industrialists and their concerns, it is but natural that such abnormally high taxes as were levied during the war, and may be expected after the war too, should be discounted in the price of the products.

That during the war so much of the profits was taken from the industrialists by taxation, that often only a small percentage remained for them, is bad enough. If that is so after the war too, then initiative would be paralyzed and the industrialists would even refuse to accept risks. Therefore they will have to be allowed a reasonable profit.

But then the high taxes will raise the cost price of the products and with it the cost of living to a great extent, through which, of course the ranks of the population with the lowest purchasing-power, that is the working class, will be hit most heavily.

If we add to this, that the tax on wages and salaries will have to be much higher after the war,¹⁾ in order to yield, with other taxes, the tremendous amount for the state capital service, then we see, that the working classes, or rather, the classes of employees with the least purchasing-power, will really be hit twice.

But through this, also their "purchasing-power" is doubly hit. For with salaries and wages at the old level from which higher wage-tax would be deducted, the direct purchasing-power of the employee becomes less, while if the cost of living should become higher, the purchasing-power of the money which he receives weekly or monthly, will in turn become less too.

The production machine must work at full capacity.

Now this is in every respect an undesirable state of affairs, for as will be shown in one of the following chapters. "The Prevention of crisis and mass unemployment," it is a matter of urgency, that the production apparatus should set to work at full capacity as soon as possible.

So, very much will *have* to be produced, and very much *will be* produced. But to prevent another accumulation of products, and with it, once again, overproduction, we must see to it that all those products will find their buyers.²⁾

¹⁾ The tax which employees pay was already considerably raised during the war.

²⁾ It is only in the case of countries in which there is very much war damage to be repaired, that what follows is not applicable.

Now, as we already know, during the process of production and distribution, sufficient purchasing-power is created to bring each product to its ultimate destination. But if we *doubly* reduce the purchasing-power which the masses get at their disposal in the way already indicated, then the absorption potential of the masses becomes too small, and we are again threatened with overproduction. Everyone will realize, that again crisis symptoms and even crises themselves might arise from this.¹⁾

If too heavy taxation of a large group of employees and with it a great reduction of their purchasing-power is undesirable from an *economic* standpoint, it is not fair either from a "social" point of view. For what is the case?

Capitalists receive more than they pay.

The money which the state borrows, is, as we have written earlier, chiefly provided by capitalists, further by industrialists (corporations) and investing institutions.

It is they, too, who receive the interest, and, in accordance with the system hitherto followed, the annual redemption money too.

So those who have lent money to the state, receive back not only the full 100 % of the money lent, but, moreover, the interests which, if the loan runs for instance for 40 years and the type of interest is $3\frac{1}{2}$ %, amounts to another 70 % of the principal. In other words, the lenders receive 170 % back of the money lent.

Now those who provide that money, have to bring in more, and that is owing to very extraordinary circumstances. For the production process — that is the industry — yields, as we know, a great proportion of the taxes. Well then, the manufacturer generally supplies his products to the wholesale-trade, and this in its turn to the retail-trade — the shop-keeper — who sees to the distribution among the public.

Since both the wholesale and the retail trade are accustomed to calculate their profits proportionally, the former on the purchasing price, the latter on the selling price, and the factory price stands, on

¹⁾ As practice will show, a rise in wages as is generally given nowadays in our country too, does not bring about a rise in purchasing power but causes the notorious vicious circle.

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the whole, in the ratio of 60 to 100 to the retail price, the share which the production process yields in the taxes is increased in this way in the ratio of 60 to 100.

So, properly considered, wholesalers and shopkeepers earn on the taxes which the manufacturer pays. Although the state also receives its shares of *that* extra profit, it does not alter the fact, that whereas the lenders of the money receive back, in all, only 170 % of the money lent, as we have already written, those who have to provide the money, that is all ranks of our society, and so too the working classes, (among other things in the higher cost of living), have to bring in much more, certainly about 200 %, that is twice the capital sum, a portion of which remains as extra profit in the pockets of the wholesaler and the shopkeeper, but to which the masses have to contribute.

Seeing that, on the whole, the working classes do not possess enough capital *to buy* government bonds, and so do not participate in the lending of money to the state, it is that comparatively small group of capitalists, industrialists and investing institutions who, after having provided the money, finally receive back 170 % of the principal.

Of course, these too must pay high taxes to bring in their share of that interest and money for redemption, but since, as we have already written, the working classes, even a great proportion of the entire employees group, are not holders of government bonds, and so neither share in the interest yielded, nor receive that redemption money, but *do* pay their share of it, and, as we have seen, pay it *twice over*, it follows that the comparatively small group of "money lenders" *receive back* more in interest and redemption money than they have to yield in the form of taxes and higher cost of living, for... *they* also receive that portion which is yielded by the *employees* group, and consequently from the people.¹⁾

Those well-to-do people, those capitalists, at least the medium and the greater ones, will not even eat less nor impose other restrictions upon themselves, even should the cost of living have risen. From this it is very clear, to what extent it is chiefly the people which experiences the greatest burden from the paying off of the national debt and the paying of the interest on it.

¹⁾ It is true that the "capitalists" and the industrialists have furnished the capital, but against that are the "government bonds" received, which have in this way become "part of the wealth".

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Still more striking.

This will appeal more strongly to the reader, when he takes into consideration that the taxes which must be brought in for the clearing off of the war debts, and the payment of the interest on them, are chiefly "purchasing-power", obtained by "labour". And it is just the masses, the great group of employees, who have to perform the greater part of the "labour".

It is chiefly they who have to bear much the greater part of the burdens; first of the war itself, and then again of its liquidation. The latter for the benefit of the "capital", which lent the moneys necessary for the war.

And so considerably to reduce the economic disadvantage already mentioned and also that social injustice, I indicated this new method of paying off crisis and war debts.¹⁾

Capital tax, but to be spread over long period.

For in this way *all* ranks of society contribute to the paying of interest on such war debts, but the *amortization* of the principal will be effected at the expense of those with the greatest capitals, that is at the expense of those ranks of society with the greatest purchasing-power, namely those who have furnished the state with the money.

So here too one can speak of capital-tax, but a very mild one, for this only occurs yearly, in very small portions, and the total levy is spread over a very long period.

So that, properly considered, this is the only correct method of tackling such war debts, for, as they do not represent any purchasing-power, the best thing to do is to let them disappear gradually.

No doubt, from the side of "capital", people will remark, that it is true, that $3\frac{1}{2}\%$ interest is received every year, but that at the same time, 1% , $1\frac{1}{2}\%$, 2% or $2\frac{1}{2}\%$, as the case may be, is amortized, so that, after all, one is not so much better off as the result.

Such a calculation may be theoretically correct, but in practice the interest received yearly is "income", whereas the amortization of the principal is capital-reduction. And it is the income that matters as far as the expenses for the necessities of life are concerned.

¹⁾ Already indicated and described by me in "Het Algemeen Handelsblad" in October 1919, that is directly after the last war, and later on again on 10/3/40.

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The "capital" to be newly formed will compensate the loss from amortization of the national debt.

Private persons — capitalists — who still actively participate in the economic life, and, of course, industrialists belong to that category too, have, in this way, ample opportunity to make good this yearly loss of capital.

For it is to be expected, that, now the war is over, there will be a great revival in the business world, and in one of the following chapter, we shall even indicate the way in which it will be possible to make such prosperity lasting. Well then, every one who takes an active part in the economic life, will have ample opportunity to create new capital, which compensates the loss of capital from that yearly amortization of his holding in government bonds. There will even be every opportunity, if there is sufficient prosperity, to retain more capital than would be lost in the way mentioned.

Investing institutions.

As to the investing institutions, such as for instance life insurance companies, they will have to make good the annual loss of capital from that amortization of the war debts, which also involves those institutions, by raising their premiums.¹⁾

Those who are entitled to the payment of an annuity will, of course, receive a little less each time, corresponding to the loss of capital which the insurance company suffers through the amortization of its holding in government bonds.

That less will not run to very much, when one takes into account, that of course such a company's holding in government bonds is only a portion of its total assets. I refer further to page 89, paragraph 4.

The managements of such insurance companies would do well to realize that as compensation for obligations incurred to pay out claims, that is sound purchasing-power, they now have, as a result of the war, a considerable cover in government bonds, which, as we have already written, only represent sterile purchasing-power, and so have no other value than interest bearing paper. Since this is an undeniable fact, arising from the war, it would not be fair to make *all ranks* of so-

¹⁾ In countries where there has been great loss of human life owing to the war (as for instance in Germany), the obligations, arising under this head, have been met by raising the premium by 6%

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ciety — so the people too — contribute in the form of supplying money for the redemption. Let those interested in the insurance, do it themselves.

Exceptions possible.

A system of amortization as here described, makes exceptions possible, where the economic position of the holders of government bonds make such a line of action desirable.

This applies in the first instance to all private holders of such government bonds, who no longer participate actively in the economic life, and so are not in a position to form new capital — for example people living on their means, retired tradesmen, etc.¹⁾

For this category of holders, the stipulation could be made that they shall draw, every year, the interest on the *full capital* of their holdings in government bonds, for the further duration of their lives, but the excess paid them, shall be refunded out of the legacy at their death.

Probably too, some settlement of interest, on the amount paid in excess, will be necessary. For the heirs, such an arrangement will make little difference, the most that can happen, will be some difference arising from that payment of interest, but this will be of little significance.

The state might further make an exception in favour of people's savingsbanks, but we shall refer to this later on.

The application.

The application of this amortization system is very simple.

As already demonstrated, the payment of interest on the national debts, and the levying of taxes for that purpose, will continue to take place in the same manner.

And so the difference is simply in the method of redemption, or paying off of the debts. For that purpose, I would now propose that the pre-war public debts should be kept apart from the specific war-debts, and these also from the post-war debts, which will arise from the repair of the war-damage.

With reference to the latter, my advice would be that, after the

¹⁾ This in its turn will not apply to wealthy people living on their means.

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war, the state — just because it will be overburdened with debts itself — is not too chary in granting recompense for damage caused by the war, for, although, under normal circumstances, a strong opponent of the incurring of public debts for non-productive purposes, I consider it, for the time being, at least under these abnormal circumstances, which will probably not return, desirable to have in this way financially sound citizens and industrialists, even, if this should result in the national debts, which are already so high, still rising to some extent. Let us in the first place see to it that, now the war is over, there are not only paupers as citizens in every land overburdened with debt.

The allotment.

The amount which on 1 January 1945 came under consideration for the new method of liquidating debts by amortization, amounted for the Netherlands to the already mentioned 12 milliard guilders, less about 3 milliard consolidated pre-war debts, leaving about 9 milliard guilders, of which about 6 milliard is floating debt.

In the beginning, probably the best thing to do will be to take into consideration for liquidation by this method, only half of that floating debt, together with the already consolidated debt of the war years.

Now the Chancellor of the Exchequer¹⁾, just as he did during the war with semi-compulsory loans, will allot to all groups of capitalists, that is private persons, industrialists (corporations) investing institutions — the latter so far as they come into consideration for this new way of liquidating debts — the share they have to pay in these debts.

This share for each individual capitalist, as for each industrialist and each investing institution, will be booked in a "Register of government stock" instituted by the state for that purpose, to his name or to the name of the institution.

The amount of this share is owed to the state, but it can be settled by the government bonds issued during the war. If one does not hold a sufficient quantity of such bonds²⁾ the amount can be deposited in cash, in which case the banking houses could be of assistance, if necessary, for which they could receive a modest remuneration.

¹⁾ During the war this was done by the permanent undersecretary.

²⁾ Other stocks or shares can be given to the state as security.

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For that purpose the banks, in their turn, can give short paper in payment, so that, properly speaking, nothing has occurred but a conversion, a consolidation as the case may be, of the already existing long and short debts — which were incurred during the war — into one big long debt which will amortize itself. And this will be divided among the three groups of our society, capable of paying.

For industrialists, in those cases in which this appears to be desirable, it will be possible, on terms to be settled later on, to deposit as security the claim on the state, which will have been allotted. We will refer to this later on.

Then war loans will be withdrawn in full. And so what is not deposited with the state in the form of bonds, in settlement of one's share, is immediately fully redeemed by the money which the state has received from those who have paid their share in cash.

If desired, the state can issue new government bonds for those war debts.

In how far these bonds will be negotiable is a technical matter to be arranged later on.

Also the *surplus* banknotes in circulation can be withdrawn from circulation in this manner — by issuing amortizing government bonds in their place — where necessary after the deduction of a certain percentage of the war-profit made. Then, bona fide holders of banknotes will have to be provided with new banknotes.

Payment of interest.

And so interest is paid annually on these war bonds or on these amounts, if any, which are entered in everybody's name, or in the name of concerns in the Register of Government Stock, which, if an entry in the Register of Government Stock is concerned, can be paid via the transfer institute, or can be settled by tax-claims on the side of the Treasury.

Now this interest is paid on a capital which becomes 1 %, 1½ %, 2 % or 2½ % smaller every year. This percentage will depend on whether it is decided to liquidate the war debts in 100, 66⅔, 50 or 40 years.

With this system, it will be possible for the state, if desired, to introduce various types of interest, by which those with great capitals, or, better, still those with very high incomes, would be allotted a lower

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type of interest than those with small capitals, or rather, those with smaller incomes, so that those with the greatest capitals, or perhaps better, those with the greatest paying capacity, would receive less interest, than those with the lowest paying capacity. Of course, this is not absolutely necessary. I only wanted to point out the possibility of doing so.

If such a differentiation in interest is put into practice, this will only be possible if all claims on the state run via the Register of Government Stock already mentioned, or if the war obligations are in the name of the holder.

At death or at liquidation, the rights to receive payments of interest, of course, pass to the rightful person or persons. For the death-duties, of course, the value of the claim on the state will have to be assessed, taking into consideration the fact that here one can only speak of a right to receiving interest on an annually decreasing value.

Once again, the exceptions.

It has already been demonstrated, that with the system of liquidation of war debts, it will be possible to make exceptions, and, that, for this, i.e. all those who no longer take an active part in economic life — such as people living on their means — come into consideration. But, here, attention must be drawn to the fact that the needs of a man after his 65th year become less every year, so that, bearing this in mind, a liquidation of the war debts by amortization need be no difficulty for those who have reached their 65th year.

On the other hand, with respect to any exceptions for investing institutions, it would be possible to require that such institutions take up a certain quantity of pre-war bonds, which *do* have a normal liquidation and will continue to do so.

Most of these institutions will do this of their own accord.

Without any disturbance.

The paying off of a debt in the manner described here, can be carried out without any disturbance to economic life.

It must especially be remembered, that the loss of great capitals, such as are represented in the war debts, has, properly considered, already taken place during the war, but in this way the loss is spread over a very long period.

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Neither need that payment of interest dislocate our economic organism, if we only take care that there is always work in abundance for our production and distribution machine, so that there is plenty of money earned and consequently ample taxes are yielded.

So that the greater the production, the greater the amount earned, the greater will be the sum yielded in taxes, with the result that the payment of interest on the total national debt can be effected without any disturbance to our economic organism. But the more life and activity there is in commerce and industry, and so the more there is earned, the more new capital will be created, so much so, that it will be possible to create considerably more capital than will be lost by the annual amortization of the public debts.

An incorrect comparison.

After the last war, Professor van Gijn, (professor in Economic Science) compared a country that wages war to a family in which there is an illness. During the illness large sums had to be expended, while the productive work had been at a standstill; consequently reserves had been called upon; but the children thought, that, as Father no longer had to pay high doctor's accounts, he could give money for more agreeable purposes, after that wretched time; now it could be spared, as there were no longer those heavy burdens, and the money could be found in the same way as during the illness.¹⁾

Now, I do not consider this example of Professor van Gijn correct,

In the family it is generally Father, who provides the income; Mother who manages the housekeeping, generally spends most of the money, namely for food, clothing, etc. moreover often pays the rent and the bills. If there are abnormal expenses in times of illness, Father's income is not sufficient to cover them and so the family runs into debt.

What Father is in the family, the process of production and distribution is in the community, for *that* causes most of the tax-money to flow into the treasury, whilst the state, which spends money in great amounts, fulfils the role of Mother.

The comparison is correct so far. But when the abnormal expenses of the family, or of the state, come to an end owing to the complete recovery of the family, or to a new peace, then, in the case of the

¹⁾ Taken from the Alg. Handelsblad of 15 June 1941.

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family, Father and Mother together must see to the paying off of the debt, the former by working harder and so earning more money, the family, father and mother together must see to the paying off of the latter by being thrifty in her house-keeping.

Then, in the state too, the production and distribution machine must work harder, so that more tax-moneys can be yielded, and preferably by running the national housekeeping more thriftily.

But, in the case of the state, a factor comes into play which is unknown in the family, and that is the body of citizens possessing much purchasing-power, who have to buy articles of utility and articles of consumption, to put it shortly "who have to make the money circulate", so that the production and distribution machine — which plays the role of father in the family — gets plenty of work to do and *so works at full capacity*, in consequence of which the tax-moneys flow into the treasury in such a stream that, apart from the usual public expenditure, the meanwhile greatly increased expenditure for the capital service, and so the interest on the debts, yes, even the annual redemption, can be met.¹⁾

And so, properly speaking, all who have purchasing-power fulfil in the example of Profesor van Gijn, the role of the employer of the father of the family.

If the employer is deprived of a great deal of his capital, and so of his purchasing-power, and business is his concern is dull, owing to a general state of impoverishment, then he *can not* give that father much work and consequently the father can not earn much money.

And it is the same in our state and in our society. For if the citizens were to be deprived of their purchasing-power, for instance by capital tax, and private persons and industrialists were to be pauperized in a state overburdened with debts, not much will come either of a sound revival in our economic organism or of a production machine working at full capacity, and so nothing would come of a paying off of our great war debts nor of the paying of interest, at least in a way economically justified.

That is why the taxation policy which was carried out during the war, in which profits made in commerce and industry above a small percentage were confiscated — even retro-active till 1940 — was so utterly fatal.

¹⁾ As was the custom under the old system of redemption of national debts.

And so it is desirable to bring to the fore here, that the great difference between "a levy on capital" and the system described in this chapter is this, that in this system, a person who has had to give up part of his possession — which is unavoidable after a process of mass destruction lasting five years — retains the income from it, be it in an amount which becomes *somewhat* smaller every year. This is not the case with a levy on capital.

Let all this be broadly considered.

So, if it is necessary in a country overburdened with debt for the citizen to possess as much purchasing-power as possible, of course it does not mean that there should only be a small group of people with *very great* purchasing-power, whereas the working class — the masses — would only have but little purchasing-power.

No, it is just the masses who must also possess as much purchasing-power as possible, because it is the masses who have the greatest product-absorbing capacity.

So let the "capitalists" consider what is written above broadly-mindedly, and not take a narrow-minded attitude if here is written that "capital", strong in paying and purchasing-power, can better bear those war-burdens than the masses with their low purchasing-power. And "capital" can bear these burdens in the form of amortization of the war debts in the way projected by me, by which the working class *does* have to contribute to the interest-payments but does not participate in the amortization.

Too long already — a century and longer — has "capital" taken up a narrow-minded attitude towards the labour problem. Much too long was the system of paying labour as *little as possible* and so treating the workers as meanly as possible believed in and put into practice.

We shall show in one of the following chapters what a serious mistake this has been.

There is no greater detriment imaginable for "capital" than a state of crisis, and certainly a world crisis, such as we had in the years 1929—1939, and there is no better way of preventing this than to take a more generous attitude towards workers and the working class than up to now has been the case, as also will be shown immediately.

Therefore, once more: let "capital" consider what is written here

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with a broad view and refrain from narrow minded ideas, which, in the past repeatedly led to periodic states of crisis, sometimes even very great crises. It is just by a state of permanent boom in economic life that "capital" will be most benefitted, and, to achieve that, the system of liquidation of the war debts described here, is one of the essential factors.

In conclusion:

The liquidation of big sums for war debts is a matter which will take very many years, at least if it is not done in a manner which dislocates economic life. Therefore the method of liquidation described here must not be judged from the countries of Europe, now that it is only a few months since the war ended, but the fact, that in the near future, the production apparatus there too will be working again, at full capacity must be taken into account. *Then* there will be production in abundance, then it will be possible for money to circulate freely, then it will again be possible to buy copiously. Then, and not before, will it appear that the war debt problem is *not* to be solved by exaggerated thrift, so not by pauperizing all citizens and industrialists, but just by letting the money roll as freely as possible, as a result of which, the production apparatus will be able to work at full capacity, and consequently will yield tax money copiously.

The system of a capital levy is like the act of a man, who although thoroughly weakened by a serious illness, yet rushes to the doctor and the chemist with his few remaining savings to pay them *part* of what he owes them. A sensible doctor will say: "you'd better keep that money to buy strengthening food, and see that you soon get your strength back by nourishing food". Then when you are your old self again, you will have no difficulty in earning your living and will even be able to put something aside to pay your debt to me and the chemist in *full*".

If ever the words of the late President Roosevelt were applicable ("priming the pump") it is here.¹⁾ With the welfare — "purchasing-power" — which private persons and industrialists still have, we must set our economic organism, for so far as it is not damaged²⁾, going

¹⁾ Unfortunately enough, Roosevelt himself did not apply this "pumppriming" in the right way.

²⁾ we shall discuss in another place, how we shall restore what has been damaged.

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again and by spending lavishly, keep it working at full capacity. That, and not capital levy, is the way to get a great stream of taxes flowing into the treasury, for capital levy will lead to a dormant illness of our economically exhausted society.

It is further understandable, that the small capitalist (the retired business man) who already has been hard hit in his "purchasing-power" by the great rise in the index figure, would be still more hit if he had also to part with a certain percentage of his entire capital.¹⁾

And it is just as easy to understand, that every industrialist would be greatly handicapped, if he had to part with a large percentage of his working capital, owing to a capital levy, while, in consequence of the dearer raw materials and higher wages, he will certainly need 50 % more working capital than before the war.

* * *

Now there are none of those objections with the system of self amortizing public bonds as projected here. That after such a war, also with this system, every capitalist and every industrialist should be hit is unavoidable, but since every depositor receives new bonds to the value of the sum deposited, or is entered in the register of Government stock, with this system as already mentioned and especially for industrialists, a generous use can easily be made of the possibility of giving the new claim on the state as security, which can be redeemed in the course of the coming year.¹⁾

Nobody taking an active part in economic life, will experience any trouble from it. And so with *this* system we do not denude ourselves of the "welfare" which we still have, but rather utilize it to create for ourselves a sound economic organism, with which it will not be difficult in the course of the coming years, to liquidate our debts and to pay the rent on them.

But we must never lose sight of the fact, that the whole payment of interest made by a "state", as we have already written, is nothing but a transferring of purchasing-power from the pocket or the cash

¹⁾ In the Netherlands a levy of 10% was taken into consideration for capitals above f 15000.—.

²⁾ Presumable the state will not be willing to accept this sort of bonds as guarantee for the full 100%, but will require a surplus of say, 10 or 20% and will even, to a certain extent, select those from whom such bonds will be accepted as surety. Next to this there will also be the possibility of giving other additional pledges.

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of one person into the pocket or the cash of another, so that no "purchasing-power" is lost, it only changes hands.

All this paying of interest by the state need not have the slightest bad influence on the total purchasing-power existing in a country, provided that it is effected in such a way, that the level of prices is not raised by it.

As we have already written, the *liquidation* of the war debts is nothing but the destruction of something, that, properly speaking no longer exists.

As so it is only a matter of seeing to it, that the process of liquidation and of transferring is effected in a way that is *not* disturbing, or is *the least* disturbing, for our society. Well then, to achieve that, we must utilize the prosperity which we have, first of all, to put our economic organism on a sound footing. Then the rest will follow of itself.

It is a favourable factor and of a significance not to be underestimated, that every year that passes, the burden of interest becomes lighter and lighter, if the system projected here is put into practice.

ABOUT INCURRING PUBLIC DEBTS
IN TIMES OF PEACE AND/OR CRISIS

Further to what was written in the preceding chapter, I should like to point out, that, in general, so in peace time and certainly in time of crisis, incurring of debts by the state to meet expenses for social- economic purposes which are not self-supporting, in other words, are not productive, ought to be considered as wrong as it can be.

Yet numbers of countries have been guilty of this to a serious degree, especially in the crisis years just before the war, chiefly for providing work for the unemployed, and also as a consequence of the dole which was then necessary for them. But there were also countries, and very great ones too, such as America and Germany, where in those years the incurring of public debts was the order of the day, and they imagined that by doing so, the crisis could be warded off and unemployment banished.

During the rule of President Roosevelt, for example, the national debts had already risen in the few years before the war from 21 milliard dollars in 1932 up to nearly twice the amount, 40.4 milliard dollars, in 1939, which was in no small degree the result of his New Deal experiments, the so-called "pump-priming" system for combatting the crisis and unemployment.

But he did not succeed in achieving his purpose, warding off this crisis, for during the years 1935 till shortly before the war, when Europe again began to give America its new armament orders, about 45—50 % of the production capacity in the steel industry was still *idle*, and there were still from 10—12 million unemployed. Proof enough, that all those attempts and all those public debts had completely failed.

In Germany too, the state incurred large debts for the improvement of towns, the building of new roads, for the manufacture of war material, and other work at the expense of the state. At a certain moment even a kind of tax-voucher (A & B) was issued there, which was only to be looked upon as a kind of "inflation", also for the purpose of financing unproductive work at the expense of the state. How-

ABOUT INCURRING PUBLIC DEBTS IN TIMES OF PEACE OR CRISIS

ever, it was soon necessary to stop the issue of these tax-vouchers, because the German nation had no confidence in them, and did not wish to possess them.

In the preceding pages we have sufficiently demonstrated how disastrous, and especially how a-social and uneconomic public loans, and consequently such public debts, are, for it appears, that for every million guilders the state borrows, two million guilders have to be raised to make payment of interest and liquidation possible. So for every hour an out-of-work is employed at relief work, another workman will have to work two hours, so that the state will be able to pay to "capital" the interest and the redemption of the moneys borrowed. And all this work is *unproductive* work.¹⁾

The incurring of public debts for the payment of doles in crisis time, and to supply work for the unemployed or for having great works of general utility carried out at the expense of the treasury is — if the last-mentioned works are not productive — the worst thing that can be done, for the heaviest burden of the liquidation of debts incurred for that purpose, and the payment of the interest on them, is borne by the masses, the working classes.

The burden of the liquidation of such public debts, often incurred in their behalf, is laid on their backs. And that is a-social, even uneconomic, and therefore *wrong*.

In future, the right ways will have to be followed to prevent crisis and unemployment. What these ways are, will be described in a following chapter.

¹⁾ This holds good for the public debts which, up to now, were liquidated in accordance with the customary method of redemption. In how far the incurring of public debts would be justified, if their liquidation were to be effected in the way projected here, namely by amortization, is a question to which we shall probably again refer.

CHAPTER XVII

REPARATION OF WAR DAMAGE

From one of the preceding chapters it is clear, that the liquidation of the very high war debts will be quite possible without any disadvantage whatever accruing to our economic society and so the liquidation of those debts need be absolutely no obstacle to a sound world recovery. From the contents of one of the preceding chapters the conclusion can even be drawn, that the damage inflicted (and its reparation) — however serious it may be in some cases —, need not be taken too tragically.

As this reparation of the war damage is an extremely important matter, we will repeat once more:

Everything of material value destroyed by and during the war, is nothing but "pieces of accumulated labour, *performed in the past*".

To repair this, to construct it again entirely, or to manufacture it, is, as we already know, nothing else but making use of raw materials costing nothing, plus energy, which should only be remunerated in so far as it is supplied by human beings.

So that the reparation of the war damage is nothing but a question of those raw materials and that "labour".

Well then, those raw materials are to be found in abundance in their primary state in the crust of the earth, or they can be produced ad libitum on the surface of the earth.

As to the "labour", there is plenty of that. We even know, that after the last war, even in the countries of the victors, there were armies of unemployed.

Now the remuneration for the work to be done in service of the process of reparation will, in the first place, be in the form of money, which, however, only begins to be of value when it is again converted into products — for the necessities of life, for instance food, rent, clothing, pleasure etc.

The production-machine and import.

As we know, there are, at least there soon will be, machines enough and to spare, to help us in the process of reparation, while the distri-

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bution apparatus will soon be sufficiently repaired. What must be imported for the repair of the war damage, will as soon as possible have to be compensated in full by export and the rendering of services.

It goes without saying, that patience will have to be exercised before the work of reparation can be energetically started upon, because owing to the long duration of the war, the disorganization of our economic organism is too great, the stocks are totally cleared, and the morale of the nations has suffered too much for an immediate start to be possible.

But everything will come right, if only we are patient. We are even making progress daily.

Creation of the Purchasing-power.

Now that money — and so the “purchasing-power”, of which that remuneration of the services rendered by human beings and the energy supplied, in the first instance consists — is, as we already know, created during the process of production and so during the reparation of the war damage too, for exactly the same amount as the extent of the damage caused by the war.

But in the beginning to *start* that process of reparation of war damage the state will probably have to borrow the money. Very likely the money which, as is to be hoped, will soon be deposited in a “General Amortization Fund”, would be very suitable for that purpose. We shall return to that “General Amortization Fund” in the chapter “Prevention of Crisis and Mass Unemployment”.

Once this process of reparation has got started, whereby, as we know, the necessary purchasing-power creates itself, the state will have to tap from the community all the “purchasing-power”, created by that reparation process.

This will have to be done chiefly by the treasury, by tax-levy, further by short loans and, if necessary by obligatory loans in which the system of amortization mentioned in the Chapter entitled “National debts”, will immediately have to be put into practice.

It goes without saying, that the money which comes in in those ways, will immediately be spent again for further reparation work, so that the moneys necessary for this work of reparation really form a circulation of money and purchasing-power apart.

But should the state not tap from the community during the work

of reparation all that purchasing-power, then there would be inflation, and, of course, that must be avoided.

The reparation of the war damage will run smoothly.

In that way, the process of the reparation of the war damage will run very smoothly, and our economic organism need not experience too much influence or disadvantage from it.

Of course — and this must be repeated — in countries which have suffered very serious damage, that work of reparation will have to be tackled energetically, but not in an exaggerated tempo.

Naturally the part of the production machine which has been destroyed, will have to be repaired first of all, whilst as regards the housing-problem this must be solved provisionally or by temporary measures.

And so, I repeat, the whole reparation of the war damage is only a matter of "labour", but of labour which will be fully remunerated.

Part of the production capacity to be reserved for the reparation.

But, if a fair proportion of the wages paid for this purpose is to be converted into products, such as provisions, food, and housing — even if the latter will only be possible on a modest scale the first few years in the heavily hit districts — then the products necessary must be manufactured and available to a sufficient extent. And just for that reason it will be necessary that no too great a part of the available hands for production should work at that reparation — for instance, one third in the heavily hit countries — in order that sufficient "labour" remains to manufacture the products necessary for a reasonable standard of living for all workers.

A portion of the production machinery necessary for that purpose will, at the same time, have to be reserved for the same purpose.

It will be chiefly on the expenditure of luxuries,¹⁾ and, as already said, during the first few years on houses, that for the time being retrenchments will have to be made in the heavily hit territories. For the necessities of daily life must have precedence. But we need not be afraid that there will not be sufficient "purchasing-power"

¹⁾ but even expenditures for luxuries are very useful and may not be restricted too much.

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necessary to purchase bread and further necessities of life, because the state would withdraw from the community the amount of purchasing-power which is created during the reparation of the damage, for in the making of that bread, and all the other necessities of life, or what is used in daily life, as already demonstrated, sufficient purchasing-power is created also to enable all those products to reach their ultimate buyer or consumer.

You see, it is only a matter of division of labour, and in such a way that sufficient work is done on the reparation of the war damage, and that sufficient products are turned out to provide the entire population of every country with a sufficient supply of the necessities of life.

And so from all this, it appears that the whole problem of the reparation of war damage, it may be serious, even very serious, need not be taken at all tragically — provided that wise action is taken.

If we had the choice.

There is *still* a very important conclusion to be drawn from all this, namely:

That if the inhabitants of a country were able to choose freely *between* 10 years of reparation of serious war damage, together with a normal economic life *and* 10 years of serious crisis such as we experienced in the years after 1929, with its mass unemployment and its cut-throat competition in wholesale as well as retail business, they would not need to hesitate a moment before choosing the years of reparation. Those years will be attended by an abundance of work for everybody who can work, and will give to all concerns an abundant possibility to produce and with that the opportunity to make reasonable profits. And though heavy taxes may have to be levied on those profits, there will be profit enough left, whilst it will all result in a great circulation of money, which will flow strongly through the entire economic life. And everybody will be filled with the joy of living, instead of being downcast, even demoralized, as they were during the slump in the crisis years.

Addenda.

As every one knows, during the war years, great quantities of war material were produced in America. The outsider got the impression

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that the whole of America was one great war industry and that every American was, in some way or other, included in this war machine.

But nothing was farther from the truth. From the statistics given it appears, that the national revenue for the year 1943 amounted to 148 milliard dollars. Of this amount $76\frac{1}{2}$ milliard dollars was utilized for civil consumption. That the American nation could live, during the war too, in great prosperity on that $76\frac{1}{2}$ milliard dollars for civil consumption, is proved by the fact that the *entire* national revenue in 1938 only amounted to 62 milliard, of which only 50 milliard dollars was utilized for civil consumption. It is true that a percentage of this great difference is a consequence of the rise in prices, but not all, by a long way. We shall refer to this again later.¹⁾

From this it can be safely concluded that, if, as said, in the countries which have suffered most from war damage, one third of the producing machine will be utilized for the reparation of the war damage, and the remaining two-thirds for the normal requirements of life, and what may be of further use to mankind, and provide him with amelioration of his life, it will be possible for there to be a very reasonable degree of "prosperity" in the future, also in those lands which have suffered most, provided care is taken that the entire production machinery can work at full capacity.

* * *

Some are of the opinion, that in the course of a few years, we must repair all the damage suffered, and in the meantime, live very economically. That is quite a mistake. In the first place the burden of taxation, on an inconsiderable production, apart from the work of repair, would be much too heavy; in the second place, the desire to work would be taken away; in the third place, the black-market would continue on a large scale, and in the fourth place, many debts would have to be incurred abroad. The so-called "strict economy" which is favoured by a few, is fundamentally wrong, because, you can never use the same guilder twice. Who has carefully read the chapter "National debts", will soon see the mistake of those who suggest it.

Once again: the work of repair will have to be carried out in a reasonable but not exaggerated tempo.

¹⁾ An interesting proof of the rise of prosperity in America in the war is the fact, that the total consumption of tobacco since 1942 has risen 300 %.

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The "Quo Vadis?" plans A. and B.

One of the most important, if not the very most important of post-war problems is: the prevention of crisis and mass unemployment.

And so we shall pay very particular attention to it.

Already in the preceding chapters, it was demonstrated that the work of reparation, although it will require many years in so far as the great objects such as the bombed cities are concerned, for the rest, just as after the last war, will be completed much more quickly than is generally assumed.

In the building industry, and so especially in the kindred trades, there will be an abundance of work for many years. But of the rest of the work of reparation there will be little left after three, or at the most five years, while in the meantime the stocks will have been replenished.

Then we shall again be threatened with a new collapse, such as was the case after the last war already within a year or eighteen months.

Of course, much will depend upon the terms of the coming peace, in other words, whether they will be of such a nature, that the nations will have confidence in the future. If that is the case, it will be possible for the period of revival which will immediately follow the war to be of longer duration, although it will not be possible to prevent the threat of a new economic collapse in any case, though it may be postponed for a few years.

This will be the most critical moment that the world will experience. For after the nations have been so heavily afflicted as many as three times in the course of a quarter of a century — by two world wars and one crisis — it would be disastrous if for the fourth time a catastrophe should follow, then in the form of a new world crisis.

* * *

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I have already shown in a preceding chapter, that the *correct means* to fight or to prevent crisis and mass unemployment, has not been found up to now, in spite of industrious searching and experimenting.

The greatest economic wisdom which has so far been achieved, has been demonstrated in unemployment relief work, the payment of bonuses, public works, preparations for war, all for account of a treasury which is far overtaxed, while in many democratic countries, i.a. the Netherlands, even "deflation" was resorted to, which means: retrenchment and economizing to excess.

And as to the future, one sees no other salvation than to resort to "strictly planned economy" for fighting crisis and mass unemployment.

That this, just as everything else that has so far been applied in fighting crisis and its evils, is (was) simply "putting the cart before the horse", and so has resulted, and will result, in getting deeper and deeper in the mire, was not realized and has not yet been realized even to-day.

Factors which have to be taken into account.

If we wish to apply a sound method for fighting crisis and mass-unemployment, or for the prevention of those serious evils, the following economic factors will have to be taken seriously into consideration:

- a) that a product is the sum of raw materials costing nothing, plus energy. Of this energy only human energy — intellectual and physical — must be remunerated.
- b) that the cost price of a product is equal to the total amount in remuneration, paid for the various services performed by man in the production and distribution of a product, (labour, for instance, but also the providing of working capital).
- c) that, even if no energy is supplied by man — that is to say no work is done — all the same, man must be fed, clothed and housed, and consequently absorbs products and utilizes "purchasing-power". For this purpose, he must be provided with the latter, without his supplying any quid pro quo. The state does this in the form of a dole.

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- d) that every product, during the production and distribution process, creates its own value in "purchasing-power".
- e) that every product goes through a circulation process, which begins at the moment that the raw materials necessary for the production process, are won from their primary state¹⁾ by "labour", goes on during the whole process of production and distribution and is continued in the wear and tear — at least, as far as articles of utility and capital-goods are concerned — and finally passes into another state, either by consumption or demolition, in which some waste products often begin a new cycle again.
- f) that the "purchasing-power", which is created during the process of production and distribution, but also that which is utilized, goes through a circulation-process itself, as was already clearly described above.²⁾

The principal factor, however, is this:

- g) that "increase in turnover" has the favourable consequence, that the pressure which is exercised by the "overhead charges", of a concern on every product is diminished, so that "profits" increase.

From this, it can already immediately be concluded, that the solution of the crisis and unemployment problem must *never* be looked for in a method which results in a decrease in turnover — consequently, no deflation — but always in a method which brings with it an *increase* in turnover.

* * *

Now the plan, hereafter to be called plan A of "Quo Vadis?" and which is to describe the means for fighting and preventing crisis and mass unemployment, is based, to a very great extent, on the economic factor mentioned above sub g. This is one of the three plans (A, B

¹⁾ Mining, or the work of the farm-hand.

²⁾ See the chapters "Origin and utilization of purchasing power", and "Multiplicity of the circulation of money".

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and C) which were published for that purpose about a year before the war, in the „Quo Vadis?“-brochure, which has already been mentioned in the beginning of this book, entitled "September 1938".

* * *

Causes of crisis.

The causes of crises are many, they may, at least, be many.

Most crises find their origin on the exchange, in the world of money and securities.

But the basic causes even of those crises which start on the stock-exchange, or the money-market, must be looked for further, and then in some stagnation or other in the process of production and distribution, which is generally demonstrated in a disturbed balance between the production and absorption of products. This leads to a falling tendency in the market, and often even to a crisis.

There have always been fluctuations in the market, ups and downs, and so crisis conditions too. The latter occurred in the previous century, even, practically speaking, periodically.

Such a condition of crisis was always followed by a recovery. At first slow, even extremely slow, then somewhat more rapid. Then comes the moment that the exchange begins to be interested in the recovery. But we shall treat that later, as already said. The optimism accompanying the recovery, often again leads to the production being increased too much, and so again to overproduction.

In most cases, however, it was more a case of underconsumption, and so, of too low an absorption of the products.

Moreover, during that rising tendency the following mistakes were always made:

- a) the "purchasing-power", created during the process of production and distribution, was distributed in an incorrect manner;
- b) part of the purchasing-power was exported in the form of "foreign loans".
- c) Gold, which is entirely superfluous — as will presently appear — was utilized as "purchasing-power". We shall refer to this again in a separate chapter.
- d) Too little attempt was made to establish an equilibrium in

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the balance of trade, by means of export and import.

But also

- e) We utilized some of the principal products, such as "houses", "ships" and "machines" too long, as we shall presently demonstrate.

We have already said what economic factors we shall have to take into consideration in our future society in order to prevent such crises in the future.

And now we are going to investigate what we have to require of our future society.

Requirements.

If the desire is to build up a well-organized "community" in which neither crisis nor unemployment will occur, the following ways will have to be pursued:

- a) International economic traffic will have to consist exclusively of "exchange of goods", or "rendering of services", and then for equal values, so that the balances of payment will remain in equilibrium. *No deviation from this shall be allowed.*
- b) There may be no stagnation in the circulation-process of the "purchasing-power", which stagnation is to be prevented in the following way:
- c) The "purchasing-power" which is created in *one's own country* during the process of production and distribution must remain for utilization in one's own country. Consequently, no export of capital (foreign loans) — so that no goods produced shall remain unsaleable through lack of purchasing-power. We shall refer to this later on.
- d) The purchasing-power which is created during the process of production and distribution must be distributed in the correct manner, in such a way, that no *superfluity* of purchasing-power shall accumulate in the pockets of a comparatively small number of "employers" or "capitalists", where this accumulated "purchasing-power" often remains unutilized, — but also in such a way, that not *too little* of the "purchasing-power" comes into

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the pockets of the great group of employees, that is the masses, where such purchasing-power, at least the greater part of it, in most cases is immediately utilized in purchasing products.

- e) The chief thing is, there must be no "unutilized purchasing-power".
- f) "Gold" may not be utilized as "purchasing-power". (More about this presently).
- g) The incurring of public debts for unproductive purposes is, as we have already written, a-social and uneconomic, consequently pernicious, and must be absolutely avoided.
- h) There may not even be any stagnation in the circulation process of the articles themselves, that is to say we may not utilize the most important of our products, such as "houses", "ships" and "machines", for either a shorter or a longer period than is economically justified. The life of these products will have to be "regulated" in the future. This is what is aimed at by plan A of "Quo Vadis?", about which more presently.

Also a very important factor is:

- i) that our production machine shall always have and continue to have plenty of work.

It goes without saying, that it will have to adapt itself to the demand. But once this has been done, every machine which stands idle, and every workman without any work is not only unutilized possibility of production, and so means unutilized "prosperity", but worse still: unemployment, and the failure to utilize part of our production machine, leads anew to symptoms of crisis, such as cut-throat competition, decrease in turnover, and so, a decline in the profits, and above all, a rising of the pressure of the overhead expenses per unit of production. Not to forget the growth of the public debts as a result of the dole and the provision of work.

Put shortly: overproduction, or under-consumption, immediately leads to crisis again, with all the terrible consequences attached, one of the worst of which is mass-unemployment.

Now, this must be definitely prevented.

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The most important of the previous points put shortly:

In our future society, the process of production and distribution, together with the process of circulation of the products themselves, and also the circulation of the "purchasing-power" are to run perfectly harmoniously, and all that

with the least possible interference on the part of the state, and consequently with the least possible "planned economy".

We shall now further elucidate some points, and see further how all this is to be achieved.

Better circulation and distribution of the purchasing-power.

We shall now further elucidate some points, and see further how "every product creates its own value in "purchasing-power", and that consequently, during the process of production and distribution sufficient purchasing-power is created to bring *all* products to their ultimate possessor-consumer or user."

Now that buying-power must be so distributed, that there is no accumulation of purchasing-power, which leads to letting purchasing-power be unutilized, for that is disastrous and again leads to a crisis. ¹⁾

Apart from other ways, this will have to be accomplished by:

- a) raising the standard of living of the employees ²⁾, that is to say of the mass, generally speaking, by remunerating "labour" better.
- b) raising the standard of living of agricultural labourers.
- c) raising the standard of living of the nations whose standard of living is too low.

Now this raising of "the standard of living" sub a, b and c is aimed at by the so-called "Quo Vadis?" plan B.

As to the better remuneration of labour, we know but too well: that, hitherto, the aim has been to remunerate "labour" as

¹⁾ Before the war, there were in the vaults of the banks in the Netherlands more than 1200 million guilders for which there was no employment.

²⁾ "Better social laws" is also to be included in the raising of the standard of living, i. a. better old-age pensions, and better provision for widows and orphans.

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poorly as possible. „Capital” thought, that by so doing, it was acting very wisely. But the result of it was, that the working class, not having sufficient purchasing-power at its disposal, absorbed *too few* products, which, of course, was wrong. For this led to overproduction, which again led to crisis and mass unemployment.

But we must here at once draw attention to the fact, that it is not so very easy to raise the standard of living of the working class, without, by doing so, setting the notorious vicious circle going.

We shall refer again to this very important matter, however, presently.

For the sake of completeness, we must also mention; that, part of the purchasing-power created ought to be applied apart from the normal, regular process of absorption of the products, also for:

- a) “investments” (in the sense of extending and enlarging the production apparatus.)¹⁾
- b) for the replacement of old, obsolete, or entirely consumed, or worn out products, capital goods in particular.
- c) to get the state organism functioning.
- d) for the capital service of the state. But that is rather a matter of “the shifting of purchasing-power”, as we have already demonstrated in the chapter “National Debts”.
- e) for the carrying out of public works by the state for the general benefit.

We repeat once more that import must be paid for by export.

As to the point mentioned sub e, we have already stated, that this must not be done for unproductive purposes, if such is accompanied by the growth of public debts.

This point sub e is also in the “Quo Vadis?” economy-program and that as plan D, which also aims at: ²⁾

¹⁾ Money lent or borrowed is nothing but “a shifting of purchasing power”.
²⁾ In the “Quo Vadis?”-brochure published in September 1938, this carrying out of public works is mentioned together with the raising of the standard of living of the masses, as plan B. Now, in order to prevent confusion, we shall call this carrying out of public works for account of the state, as aimed at in “Quo Vadis?”, plan D.

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the carrying out of public works by the state, and consequently for the general benefit, but:

the expenses incurred to be supplied by the Treasury, which *then*, thanks to the application of plan A and B of "Quo Vadis?". will receive from an ever prosperous industrial life, working under boom conditions, such a stream of tax money, that it will easily be possible to utilize part of it, for carrying out public works on a large scale.

We shall return to this later.

* * *

As to:

the utilizing of purchasing-power for "investing", care must be taken:

- a) that not so much is invested, that our production machine would be too rapidly enlarged.
- b) that the spirit of enterprise is not checked to such an extent that it would result in the killing of this spirit.

The golden mean will be the best way here.

Incorrect idea.

Many people have the idea that they can prevent crisis in the future by restricting themselves to raising the standard of living of the masses and of the agricultural class, therewith immediately losing sight of the fact, that this raising of the standard of living of the masses cannot be done in an exaggerated tempo. To do this would not only be unwise, but would also lead to new economic complications.

Others are of opinion, that, after the war, the state must have great public works carried out, so that all who can work, will have work. Where the money is to come from is of no importance, for, so they argue, where it came from in the war, it must come from in peace time too, an argument which is, of course, absolutely wrong, as has been clearly proved in the chapter on "National Debts", etc.

But practice will demonstrate in the future, that neither the raising of the standard of living of the masses and the agricultural class, nor the abundant carrying out of public works — at least, if this is done in

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The eternal cycle.

One must bear in mind, that our entire cosmos and also our society is based on an eternal cycle. The cycle of the things which are on the surface of our earth is not eternal, but finite.

For man and beast this is very clear, for the life of man and beast is limited, as we all know.

It is the same with capital-goods (houses, ships, machines) — we have already said this but will repeat it, all the same — their life is limited, while they too go through a certain cycle, which begins at the moment that the production is started on, proceeds in a considerably slower tempo during their utilization, in which the cycle continues in the wear and tear, and finishes after the elapse of a number of years in the process of demolition.

The four stages in the life of a product.

The product passes through four different stages from the moment that a start is made with its manufacture — that is to say, with the obtaining of the minerals from the crust of the earth, or so far as raw materials which grow on the surface of the earth are concerned, with their cultivation — up to the moment that the product is finished and has even come to the end of its career, so to its “consumption” or to the “demolishing” of the old, entirely or partially worn out product. The stages are:

- a) The production (the manufacture plus the transport).
- b) The distribution (wholesale trade, retail trade, and so again transport).
- c) The “possession” (at this stage the consumption also takes place).
- d) The demolishing.

Now stages sub a, b and d are those during which the “community” has the most profit from the various transactions which then take place. One of the very most important of these is the payment for the various services rendered in the stages of the production, which results in the beginning of the great circulation of money, which forms the life-blood of our economic organization and which gives the community, and so the individual too, the necessary “purchasing-power”.

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Stage c, the "possession", properly considered the stage of inertia, or rather of the slow circulation, in which it is chiefly the possessor who profits from his "possession", and the community only in so far as it must be considered as the total of the individual possessors.

Considered from the standpoint of the "community", it would be most benefitted, *at least so long as it has sufficient products at its disposal*, if a "product" were destroyed again as soon as it was finished. For in this "destruction", the demolishing, the wage-factor again plays an important role (circulation of money and creation of new purchasing-power), while by that destruction of products, at the production machine which our community has at its disposal, the opportunity is again presented of producing new products, which again results in new circulation of money and new creation of purchasing-power.

That of course, would not do.

Where the fault lies.

Now I have come to the very extraordinary conclusion, that the fault which is made by us is, that *too much value* is attached to the "possession" of one's products, whereas people have greatly underestimated the value which the products have for the "community" in the period of new manufacture or new construction, as well as the value of the distribution, generally; during stages a, b and d.

As a result of all this, the possessor uses his "possession" too long and, by so doing, harms the community from whom he withholds the possibility of producing anew, and this again results in a stoppage of part of the production machine, which as a result remains unutilized, with all the awful consequences attached to this stoppage, such as unemployment, cut-throat competition in commerce and industry, fall of turnover, the swallowing up, by the overhead-expenses, which have remained stationary, of the profit still to be earned. Further must be mentioned the deficits in the treasury and the resulting rise in the national debts.

In the future, the correct arrangement of a prosperous society will therefore have to be a

compromise

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between the "community" which is benefitted by the *shortest possible* existence of the product (provided nothing is demolished without being simultaneously replaced), and the possessor, who thinks that he benefits most when he possesses his product as long as possible.

I repeat the words "thinks", because it will presently appear, that the "possessor" too will be very greatly benefitted by a state of permanent prosperity in our society, which it will be possible to attain in the manner to be described presently.

For this brings us to plan A of "Quo Vadis?", which is so very important for the problem of preventing crisis and unemployment.

PLAN A OF "QUO VADIS?"

Plan A of "Quo Vadis?" aims at:

The "regulating" — if necessary "shortening" — of the life of a few of the most important products, such as *houses, ships, machines*, and, later on, *motor cars* too.

The result of this regulating will be, that we have the circulation of the products entirely in our own hands, and so can let the production and distribution process function quite undisturbed.

With this regulating it will be possible in times of depression, even as soon as the first symptoms of an approaching depression are felt, to proceed to "shorten" the life of the products mentioned, in a method to be given later.

This will, of course, immediately lead to favourable results: new production possibility for our production machine, and quicker circulation of the money, because, at the same time more "purchasing-power" will be created. But the most important thing is, that in this way, that very serious evil, unemployment, will come to an end.

One law is sufficient.

One single law, to be passed shortly after the war, will be able to establish that "regulating", and, by doing so, will already be sufficient to create

lasting prosperity

and to put an end, once and for all, to that awful

unemployment.

THE PREVENTION OF CRISIS AND MASS-UNEMPLOYMENT

Statutory amortization.

Every state will have to enact *one* law, and that is, that in future:

- a) on houses, ships and machines a certain amount will have to be written off each year for depreciation;
- b) after complete amortization, those products will have to be placed at the disposal of the state, which can, *if necessary*, demolish them, or instruct the owner to pull down or break up his amortized property or have it pulled down or broken up, as the case may be.

Proposal.

The following percentages for depreciation are proposed here: houses $1\frac{1}{3}\%$, workmen's dwellings 2% , ships 4% , machines $7\frac{1}{2}\%$. For machines with a specially short (or long) life, of course, the percentage would have to be different.

This would represent for those products a "life" of 75 years and 50 years respectively for houses and workmen's dwellings, 25 years for ships, and about $13\frac{1}{2}$ years for machines. For motor cars a certain mileage will have to be fixed later on, and in fixing this mileage the possibility of selling a motor car second hand will have to be taken into account.

Elucidation.

Depreciation, certainly on machines and ships, has always been a good custom, and has already been applied to modern workmen's dwellings for many years.

As, thanks to the reparations to be carried out, the first few years to come will undoubtedly show a strong revival in industrial life, in consequence of which reasonable profits will be made, which will easily permit of those depreciations, there will be no objection to *compulsory* depreciation.

Naturally, buildings of architectural or historic value are excluded from this system.

In the case of dwellings reaching the age limit, (respectively 75 and 50 years), the necessary suppleness will have to be practised, so that it need not be necessary to turn the last tenants out of their

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houses. But, on the other hand, young people will not be permitted to go and live in houses which are approaching the age limit. There will not be much objection to this, because these young people will certainly choose modern houses, when possible.

For the time being, it will not be possible to consider the breaking up of ships, but seeing the present tremendous capacity of the world shipbuilding industry, it will soon be possible to consider the breaking up of ships too, sooner than it would now be supposed. That will be better than the early shutting down of the shipbuilding yards which have just been built, a thing which proved necessary shortly after the last war.

Once again the compromise.

We refer again to the "compromise".

A compromise as mentioned will already be reached, if the law described above should be enacted, by which the annual writing off on houses, ships, machines and later on also on motor-cars will become statutory.

Dwelling-houses, office-buildings, shops, warehouses etc. as well as workmen's dwellings¹⁾ will have served their owner in full in those 75 or 50 years as the case may be, either for their own use or by letting, and in the meantime they will have been fully amortized. Then, however, comes the turn of the community, who will demand, that such fully amortized products disappear²⁾ at the hands of the demolisher, in order to make room for new ones. So that, as a result, the production machine will be in a position to produce (erect) new houses or new offices, shops or workmen's buildings, from which, of course, a powerful circulation of money and a creation of purchasing-power will arise.

It would be the same with ships. They will sail the rivers or seas for 25 years, and in that time, the annual writings-off for depreciation will have been discounted in the freights or passage-money, as was

¹⁾ Writing off for depreciation (2%) has been the custom for years in the case of modern working-class houses. If such a stipulation for older workmen's houses, in future, should lead to any rise in the rents, then one need not worry. During the crisis years, the rent of working-class houses even rose, while now the war is over, a revival is to be expected and with it more prosperity, in which case a rise in the rents would be no objection whatever.

²⁾ This will of course not occur in periods of boom.

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already the custom. For 25 years that ship will have fully served its owner, for *then* it has been fully depreciated, after which, with ships too, *then* it is again the turn of the community, which first benefits from the breaking-up of the ship in the form of circulation of money and creation of purchasing-power, and afterwards, but of course to a still greater extent, from the *construction* of new ships and the accompanying still greater circulation of money and creation of purchasing-power.

The same thing occurs with machines too. The depreciations have long been discounted in the price of the products manufactured with those machines, so that the user or consumer of such articles has always paid in the purchasing price — but without ever noticing it — for a small part of those machines with which the product he buys has been manufactured.

After $13\frac{1}{2}$ years, that machine too has fully served its owner, for then it is fully amortized, and also in the case of the machines the community comes into its own again, first through the advantages which the breaking-up yields, and then, of course, through the still greater advantages which the building of new machines yields in great circulation of money and creation of purchasing-power.

In this way, the rights of both groups will be respected; the rights of the possessor who has been able to utilize his possession for a reasonable but also sufficient time, in which he will be able to write off the whole, and those of the community, which, after complete amortization of these products, gets the right to build new ones.

That all this will bring work in abundance for the production machine will be clear to everybody, and also that with it will come work in plenty for those who can work, so that there need not be any unemployment at all.

Wrong objection.

There have been critics who have raised objections to this destruction of capital, which would be adherent to this system of shortening the "life" of products. But it is curious, that these critics apparently have no objections to the tremendous amounts being paid yearly by the state in the crisis years — in the Netherlands alone already 150 to 200 million guilders a year — for crisis burdens, for supporting the unemployed, for which in most cases there was not

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a single compensation, while they have apparently no objections either to the fact that in the world some 15 million unemployed daily killed their time doing nothing, and so, at the same time, *failed* to turn out new products, that is, failed to create new capital.

In my opinion this too is a kind of destruction of capital, and so certainly is that public expenditure, for which there is little if any compensation, but through which the public debts do grow, with all the consequent a-social and uneconomic results.

As we have written before, the unemployed too must be fed and clothed and have a roof over their heads, all of which must be paid for by the Treasury.

The supposition that the possessor of a product would suffer a loss, if he were compelled to have his already entirely amortized house, ship or machine, as the case may be, demolished (broken up) is incorrect, for via the system of annual depreciation he has already received back the purchase-money of his house, ship or machine, in the rent of his house, the freight and passage-money of his ship, or in the selling price of his product, which was manufactured with that now entirely amortized machine.

New investment.

Should the purchase-sum of the new house, ship or machine-to-be-constructed be higher than that of the product which has meanwhile been demolished, because, for instance, it is of a more modern construction, or because the capacity is greater, then that part of the purchase-sum which is higher than the original purchase-sum, must be considered as a new investment.

No loss but an advantage for the possessor.

And so it appears, that there is no question of loss for the possessor, who has his amortized product demolished. At most there may be a loss of advantage for the possessor, which would *seemingly* be attached to the further utilizing of the already fully amortized products. Here, I have had the words "seemingly" italicized because practice shows, that those advantages do not exist in reality. For the crisis which we have experienced for 10 years, and which to a considerable extent has also been caused because we have utilized our capital goods

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too long, even after they had already been fully amortized, has clearly shown that all such advantages are only apparent.

When by applying plan A and B of "Quo Vadis?", we could create a lasting condition of prosperity, the advantages for all who participate in our economic society, are considerably greater than the apparent disadvantages attached to the loss of the further utilization of already fully amortized products.

We shall refer again to the last two points later on.

Further advantages.

There are still more advantages connected with the carrying out of plan A.

Let us here only recall the great advantages attached to an increase in turnover for every industrialist. For an increase in turnover would be a direct consequence of the application of plan A of "Quo Vadis?", and, verily, not only in the industries directly concerned with the construction of houses, ships and machinery, for, now, the contents of the chapter "Multiplicity of the circulation of money" have taught us something quite different.

Now the advantages attached to an increase in turnover, are even twofold:

1. The profit to be made on the increased turnover.
2. The increased profit calculated on the total turnover, *because*, owing to the increase in turnover, the pressure of the overhead expenses per unit of production has become less, so that the profit per unit of production is bigger.

The total of these two profit-factors will prove to be very considerable in every concern. There is no better proof of this, than the balance sheets of industrial enterprises in the crisis years, as compared with those in the boom periods. So we cannot value too highly the advantages attached to an increase in turnover.

Only the advantages themselves attached to the "increase in turnover" and the consequent extra circulation of money, are so considerable, that they fully compensate — even leave a very large balance to the good — any, even mostly imaginary, disadvantages attached to no longer utilizing already fully amortized products.

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It is not to be denied, that there are numerous other advantages, such as:

- a) A considerable rise in the circulation of money, and consequently in the "creation of purchasing-power".
- b) A well-filled treasury, because a stream of taxation-money will flow into it from an industrial life *then* always working under boom conditions.
further:
- c) that there will be an end of that cut-throat competition, which we experienced so much in the crisis years in commerce and industry, so that it will again be possible to make decent profits, and last but not least:
- d) that, at last, there will be an end of that hateful state of affairs in which there are millions of unemployed, who with their families, are reduced to a state of demoralization and pauperism.

and those are all advantages which must not be underestimated, and against which there are, practically speaking, no disadvantages worth mentioning.

Let us then calmly allow those old, half worn-out products which have already served their possessors long enough, those pieces of accumulated, *formerly performed* labour to disappear, so that they can make place for new ones, and so provide productive "labour" for our production machine, and for our unemployed, if there should be any after the war.

*The continued utilization of already
amortized products is harmful.*

The continued utilization of fully amortized products is even extremely harmful.

For after complete amortization has been effected, no one will reduce their freight, or passage, their prices or their rents, as the case may be. But, by not doing so, they withhold from the community "purchasing-power", which is intended for the purchase of other products, which, seeing that every product creates its own value in

THE PREVENTION OF CRISIS AND MASS-UNEMPLOYMENT

purchasing-power, not too much and not too little, would have a disturbing influence on our society.

It has been clearly proved by the great amounts of unutilized purchasing-power which were in the vaults of the banks before the war, that such purchasing-power is really not always put into circulation in another useful way. (In America alone in 1940 7 milliard dollars were lying unutilized in the vaults of the 10 greatest banks).

Plan A as economic regulator.

First and foremost Plan A of "Quo Vadis?" will fulfil the function of regulator in our economic system.

For in times of natural boom, the yearly depreciation *will* be continued, but not the demolishing of the fully amortized products. In such times, a reserve will be made of those products, which can be called upon the very moment that the first symptoms of a new economic collapse are perceivable.¹⁾

In the meantime, the owners will be able to continue to utilize them. We shall refer again to the last two points later on.

¹⁾ Already mentioned in the "Quo Vadis?"-brochure part II.

CHAPTER XIX

MARS, THE GOD OF WAR, DID IT DIFFERENTLY

When I distributed my "Quo Vadis?"-brochure on a large scale, first in my own country in September 1938,¹⁾ and abroad in the autumn of 1939, and by so doing gave full publicity to my economic plans described here, for combatting crisis and mass unemployment, which was then still prevailing, not much attention was paid to what I had written. Certainly, a few governments did take notice of what I had written, but not sufficient notice.

The Dutch government was one of those which did take notice of my work. This was done by two ministries, viz, the Ministry of Social Affairs and the Treasury — I shall refer to this again —, The American Government was another. The Library of Congress, on its own initiative, asked to have a copy of my brochure, of which it had chanced to get hold. With this Institute, as well as with the Labour Department, I continued till November 1939 to correspond about my plans, in which the Library of Congress especially seemed to be greatly interested, so that they were investigated by experts. Then the war put an end to it. In the meantime, moreover, America had enough "work" to do for the democratic countries of war-waging Europe.

The Ministers at the Hague of some powers — Belgium, Germany, Japan, Italy, Chili, Argentine and South Africa gave evidence of much interest in my work, and were even keen on receiving a copy of my weekly economic publications²⁾ in the press, in which, i.a., repeated warnings were given of the continually increasing danger of war. They forwarded these articles on to their respective governments.

But I repeat, the interest shown was not sufficient.

The practitioners of economic science showed just as little interest. It was the same with the leaders of commerce and industry, although I had sent a copy of my brochure to countless thousands of "prominent" ones of the leading countries producing on modern lines.

¹⁾ See the chapter entitled „September 1938" in the beginning of this book.

²⁾ These were always translated into the modern languages.

MARS, THE GOD OF WAR, DID IT DIFFERENTLY.

And yet it was greatly in the interest of the latter, that the crisis and slump-conditions then still prevailing, should come to an end.

Also numbers of newspapers at home and abroad received a copy of my brochure. Even the numerous newspaper articles which, later on, appeared in the Dutch press, from my pen, were translated and sent to them.

A few of the editors of the daily press very kindly reviewed it, i.e. an English paper under the title "Destroy and Prosper", but neither was the interest shown on the side of the press sufficient to achieve practical results, and yet, just at such moments, the press could do so much.

Now all this is much to be regretted, for by raising the standard of living of the masses (plan B), and by sending in good time to the demolisher numbers of old, half worn or nearly worn out capital goods (plan A), it would still have been possible to convert the crisis and slump into lasting "prosperity", by which the chance of war would have been considerably lessened, and might even have been averted. But no one listened to me — at least, too little attention was paid to my words.

Then the war broke out in September 1939, and it was the turn of Mars, the god of war.

What was aimed at by me for the cure of the condition of crisis in plan A of „Quo Vadis?“, namely the shortening of the life of a few of the most important products, (consequently, acceleration of the circulation of those products), we have now seen applied by Mars on a large scale in these war-years, but now, in an awful manner, unworthy of man, quite different from what I had aimed at.

All this to the accompaniment of rivers of blood and tears, and unspeakable suffering. But there were ruins in plenty.

The result will be the same as aimed at by me in the "demolishing", for the war has made a great clearance in the existing products, with the result that during the first few years after the war, the production machine will have an abundance of work, and there will be plenty of work for everyone who can work.

But how different *that* too from the method I had in view. For warfare is accompanied by a disastrous growth of national debts, whereas plan A of "Quo Vadis?", thanks to an industrial life working under boom conditions, will result in a great stream of tax-moneys

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flowing in to the Treasury, through which it will be possible to achieve many useful things.

With all this terrible waging of war, however, God Mars has given humanity a lesson, be it an awful one. For if we wish to have in future "lasting prosperity", we shall have to put permanently into practice, what the war did, — at least as far as the clearing off (destruction) of pieces of "accumulated labour, formerly performed" is concerned, — *systematically*, but *then* in a well-organized, and well-chosen manner.

PREVENTION OF THE NOTORIOUS VICIOUS CIRCLE

(by co-partnership)

Returning to plan B. of „Quo Vadis?“, I must draw the reader's attention to the fact that, as is generally known, the raising of the standard of living of the masses has great objections attached to it, for it is always accompanied by the threat of the notorious vicious circle, as the raising of wages results in the raising of the prices of the products, which makes the cost of living higher, and so calls for another rise in wages, or at least, nullifies a considerable part of the advantages of the rise in wages, so that again a rise is necessary.

The dangers attached to all this appeared very clearly in France under the régime of Minister-President Léon Blum, who, with his considerable increase of the wages and decrease of the working hours, drove up the costs of production to such an extent, that the cost of living was greatly forced up, while, at the same time, the French products became so dear, and consequently so unsuited for export, that, in less than no time, with all this, he brought France to the edge of the abyss.

This will now be avoided by the way described in my publication of 25 February 1940, entitled "Rise in wages with a rising index-figure?", and that is by a

"Welfare bonus"

which is a share for the workmen in the advantages (profits) which are made in the process of production, and so a payment to the workmen *outside the calculation of the cost price*.

In consequence of this the *income* of the workmen will become higher, and with it their purchasing-power but the cost of living, on the other hand, will not experience any disadvantages from it, and will *not* become higher.

The notorious vicious circle will, of course, not come into play, so that this economic "find" may be looked upon, as the "breaker" of the bad influences of the vicious circle.

In this way, but only in *this* way, will it be possible in the future

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to raise the standard of living of the working class *considerably*, which will be necessary in order to keep the great production machine at our disposal working at full capacity, and to prevent a repetition of the world-crisis.

The purchasing-power of the workman also rises too, as soon as by more rational methods of production, the products, and with them the cost of living, become cheaper, but this method of raising the standard of living of the masses is a comparatively insignificant one. It must be repeated, that a *considerable* raising of this standard is only possible along the way already described.

This letting the workers share in the profits yielded by the process of production, can be effected in two ways.

The direct method.

In the first place, this can be done in each concern separately, that is with the employees engaged in those concerns. This is the *direct* application of this system.

This direct system can best be applied, in well-paying concerns, by laying aside at the end of each financial year a certain amount of the profit for the employees, and paying them in the course of the following year, that is in 52 weeks or in 12 months, every week or every month, a so-called "welfare bonus" on the wages. The extent of this would be fixed anew every year by the boards of the concerns.

The indirect method.

The indirect method is, when the state via an extra levy on the profits of the concerns, forms a fund with it, out of which the *whole* working class receives an extra allowance. This could also be effected in the form of a reduction of the wage-tax for the workmen, and also by introducing new and improved social laws.¹⁾

In practice, it would be possible to apply both systems, the direct and the indirect, at least, if there is sufficient prosperity in the concerns in a country, which will be possible, if the "Quo Vadis?" plan A is applied, and, it goes without saying, plan B and D too.

¹⁾ The Dutch government has, in the meantime, taken over this system, and applied it to the "adjustment tax"

PREVENTION OF THE NOTORIOUS VICIOUS CIRCLE

Of incalculable value.

Allowing the workers to participate in the profits of the concern is nothing new, for this system has already been applied in a few concerns which are run on social lines, but to apply this system *over the whole line as a system*, to raise the standard of living of the masses, *without setting the notorious vicious circle in action* that is something new, and this discovery will prove to be of incalculable value in the future.

The forming of a reserve is desirable.

To avoid any misinterpretation of the preceding, I consider it desirable here, emphatically to draw attention to the fact, that I do not so much aim at a share in the profits *because* the workers should have a *right* to it, on account of the influence which they might be able to exert on the course of affairs in a concern, but rather, because I consider a raising of the standard of living essential to prevent crisis in the future, and so I consider this to be the only sound manner of raising it.

Already in my publication of 25 February 1940, entitled "Rise of wages with a rising index?" I wrote as follows about this matter:

Through this, this workman will begin to feel himself part of the concern, and take a personal interest in it, feel proud to receive a share in the results achieved by the concern, apart from his ordinary wages."

"But I at once admit, and that is the standpoint I have taken for years, that, in most cases, the workmen themselves will not be able to have any influence on the ultimate results of the concern."

Still, I think it necessary to point out, that as the workmen are accustomed to adapt themselves to a new standard of living, especially if it is a higher one, this system of a share in the profits will have to be applied in such a way, that a certain reserve is formed for the workmen, out of which, in less favourable years, a payment could be made also in the event of the results of the concern not permitting of it.

CHAPTER XXI

AGAIN PLAN A OF "QUO VADIS?" AS ECONOMIC REGULATOR

The future of Europe and of the whole world stands or falls with the prevention of crisis and mass-unemployment. This must be borne in mind.

* * *

The "Quo Vadis?"-plan A aims at the "regulating" of our economic organism — as already said.

Well then, if by the application of the "Quo Vadis?"-economy we shall be able to create "lasting prosperity", a system of "strictly planned economy", as aimed at for the prevention of crisis and unemployment, in future, will be quite superfluous.

The writer does not hesitate to state, that he is a keen, even fanatic opponent of "strictly planned economy".

And so he is delighted that people in England too, are opposed to it, and will have nothing to do with it either.¹⁾

As for the French nation, it too will most probably have nothing to do with "strongly controlled economy", while the Belgium, the Dutch and the Scandinavian nations would, in the long run, be totally unsuitable for it.

As a matter of fact controlled economy is quite superfluous.

State-interference in the production-process only dates from 1914—1918. Soon after peace came, the economic organism was fortunately left once more to its own devices.

It was first the world-crisis that brought with it state interference on a large scale, and this war naturally did so to a greater extent. Therefore state interference is *only* necessary in times of crisis and war.

If, now the war is over, the "Quo Vadis?"-plans A, B and D are

¹⁾ This was written before the last election. Soon, in England too, it will appear that "strictly planned economy" is not the right way to achieve lasting prosperity and so "full employment".

AGAIN PLAN A OF "QUO VADIS?" AS ECONOMIC REGULATOR

applied soon there will never be another crisis, and so there need never be another war.

Thank to the "Quo Vadis?"-plans, "strictly planned economy" — which, as would be experienced if it were applied, will have a harmful rather than a favourable influence on our economic organism — will be entirely superfluous.¹⁾

Moderate regulation.

However, a regulation of the life of our principal capital goods such as houses, ships and machines will prove to be of incalculable value.

By means of that, the whole *economic organism would be controlled*. Consequently an economic regulator.

And how little radical that is.

For in every advanced industrial enterprise the annual depreciation on factories, machines and tools has long been the custom.

In every such factory there will already be a book, with or without loose leaves, or a card system in which there is an entry for every machine, under which is stated the cost of purchasing and the annual amount written off for depreciation.

Well now, there is *nothing more* to it. Only once a year, or once every so many years, a government accountant will come to see whether that book is properly kept, and tallies with the depreciation in the balance sheet.

This is a rough sketch of how, in future, houses and ships will be depreciated. (We shall refer to motor-cars again later on).

It is of great value to have our economic organism under control.

Once again: Look upon the "Quo Vadis?" plan A, especially as the "economic regulator", as "the keeping under control of our entire economic organism" and that with *very* little interference from the authorities.

For *that* is undentably of very great value.

There will not be any unnecessary destruction.

¹⁾ Naturally, excesses will have to be prevented, while immediatly after the war, the supply will still have to be regulated. Moreover, it will not always be possible to avoid production-restrictions, and, for the time being, the stabilization of prices and wages will still have to be maintained, but — certainly no longer than is necessary.

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For when it appears that there is sufficient work in a natural way — as we have already said — then the state *does* have the depreciation continued, but does *not* have the amortized products demolished.

If practice shows, that it is not necessary to have houses demolished after 75 years, ships after 25 years and machines after 13½ years, well then, it will not be done. *We shall utilize them for a longer period.*

But after the reparations, if it appears that the producing machine has *not* sufficient work, not even with the application of all those means of absorption of products, such as Plan B and D of "Quo Vadis?" well then:

we shall apply plan A of „Quo Vadis?“

and so the whole community will benefit from it.

Gouverner, c'est prévoir.

And so there will be no harm done, if, as soon as possible

annual depreciation

is made compulsory by law. If it does not help, *it will do no harm either.*

But it *will* help, for we shall all be ready at the first symptoms of a new economical depression immediately to take measures, for I repeat,

there may never again be a crisis and mass-unemployment.

In any case, it is certain that following the way described here, we avoid risks, for in this way we are ready when the pinch comes.

Notification to the owners of old products.

At the same time, owners of houses more than 75, ships more than 25, and machines more than 13½ years old must be notified, that they must be prepared for the fact, that as soon as the war reparations are completed, it may be necessary in the general interest to requisite such old products and to hand them over to the demolisher — but then without indemnification.¹⁾

¹⁾ To this "indemnification" we will refer later on.

AGAIN PLAN A OF "QUO VADIS?" AS ECONOMIC REGULATOR

Then every one has a few years to make preparations. It is certain, that, as a start is made with the very oldest, the time given is amply sufficient.

Where necessary "indemnification".

Where necessary to prevent unfairness, the system of indemnification projected in my brochure ¹⁾, for the transition period, can be applied.

So there is all the more reason for making this depreciation compulsory by law, as soon as possible, now that there is peace, so that possibility for claims for "indemnification" shall be restricted as *much* as possible.

We shall refer again to this point later on.

The forming of a fund.

We must especially bear in mind, that, since capital goods, such as houses, ships, machines have been fully amortized via a legally prescribed system of depreciation, and *demolishing would not yet be necessary*, so that the possessors could still continue to make use of them, the depreciation money which the house owner receives in his rent, the ship owner in his freight or passage money, and the manufacturer in the selling price of the products which have been turned out by the then fully amortized machine, ought *then* not to come into their pockets, but will have to be deposited by them in a common "fund", destination of which will be fixed later on.

If they do not do so, the house owner would be paid for his house, the shipowner for the ship and the manufacturer for his machine by the community not once but twice.

That is socially unjust, and economically impermissible. That is withdrawing from the community "purchasing-power" which is intended *for the purchase of other products*. Properly considered, it is even robbing the community. In any case, it is money that the community has a right to. That is why I propose that it should be deposited in a "fund".²⁾

¹⁾ Later, in my publication "Restoration or Re-construction" of 3 December 1939, considerably more extensive and improved.

²⁾ Many will want to consider that as an extra profit for the manufacturer. But that is economically impermissible. That he will utilize such purchasing-power in another way is not always true. This is shown by the very great amounts of purchasing-power which, before the war, lay unutilized in the vaults of the banks.

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At the same time it appears from this how disadvantageous up till now it has been for our economic society, that we have often gone on utilizing those already fully amortized products. Not in the case of a single house, ship or machine or motor car, but here, where it has to do with very many houses, ships, machines or motor-cars in every country, which over the whole world, runs into countless numbers, milliards of pounds of purchasing-power have been withdrawn from the community, which had been intended for the purchase of other products, and so as many milliards of production-possibility were withdrawn from the production-process. That *could only* lead to the complete disorganization of our society. There can certainly be no possible doubt about that.

PLAN A OF "QUO VADIS?" IS OF STILL FURTHER USE

(Full employment)

A still greater danger threatens the modern producing lands in the future.

The countries producing agricultural products and raw materials, such as South America, have of late been changing themselves more and more into industrial countries.

There lies a serious danger in this, because, if in the future international barter and exchange is to take place in an economically justified, and so sound, method, this may only consist of "exchange" of commodities, or of the mutual rendering of services. Now this will begin to stagnate, if such agricultural products and raw material producing countries *do* want to get rid of these products, but, in the future, are not in a position to receive sufficient industrial products in exchange from the countries which are today industrial, because they will be beginning to produce those industrial products themselves more and more.

Plan A of „Quo Vadis?“ will bring salvation.

Then it is, that it will become more apparent than ever, of what tremendous use the "Quo Vadis?" plan A will be. For by means of this plan, every industrial country will be in a position to circulate the money faster *within its own borders*. This can be achieved, as the reader may know, by circulating some of the principal products more quickly, which will be made possible by applying plan A of "Quo Vadis?"

With one's own raw materials or with those artificially produced.

And so a country will have to obtain the raw materials and the products it requires from other countries by "barter and exchange".¹⁾ If owing to reasons mentioned above, that is not possible, for

¹⁾ Or by rendering services.

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instance, the country producing raw materials does not wish to receive finished products as compensation from the country needing raw materials, the latter will have to make more and more use of the raw materials within its own borders, if necessary, even of raw materials artificially produced, and produced if need be at a higher price.

Creation of prosperity within one's own borders.

And so the production for home consumption will, in the future, come more and more to the fore. As we know, in that way sufficient purchasing-power will be created at the same time to enable each product to reach its ultimate destination (buyer). And if care is taken that there is a *correct* distribution of that purchasing-power and that there is a *sufficiently* rapid circulation of the principal products (houses, ships, machines) by the application of plan A, then there can *never* again be overproduction or crisis, and it will be possible to create "prosperity" of an unknown extent in one's own country, that is within one's own borders.

Then too, in the future, export will have to become less and less a "purpose" and more and more a "means", and then, a "means" for obtaining in exchange, raw materials or products produced elsewhere.

Solution of an important problem. (full employment).

What has now been written in this chapter is the solution of one of the most important problems — already mentioned in one of the first chapters, namely:

"Always to have abundant possibility of production for the production apparatus, especially *within one's own borders*, so that export need no longer be an end, but only a *means* for providing oneself with the required raw materials, or products, from abroad."

This puts an end to the necessity of cut-throat competition in the world-market, which, after all, is one of the chief causes of war.

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As to the United States of North America, they especially, will have to lead their economic policy along the lines mentioned in the previous chapter.

For when, within a short time, "gold" has been eliminated, as will be economically necessary to prevent a disturbed equilibrium and so guarantee a smooth course of affairs, that will be an economic loss for America.¹⁾

* * *

And, if as well, which is just as necessary, the exchange of goods (goods and services) is accepted as the *exclusive* permissible international economic traffic — leaving out, of course, tourist traffic — then America, which during the last few years, even the last few decades, has always had a considerable export surplus, will, economically be faced with a very difficult situation.

Then America, shortly after the war, — certainly because there is in that country no war damage to be repaired — will be threatened with a very serious economic depression, and consequently with a crisis.

American efforts.

America already sees that itself, hence its hoping to deliver great supplies to Europe, which is economically exhausted and strewn with ruins — most of these supplies to be on credit, of course. But there is a limit for Europe to this buying on credit, and by most countries that limit will soon be reached.

Creation of prosperity within one's own borders.

And, therefore, America too, which is itself so rich in raw materials, and which itself possesses such a great production machine — in consequence of which it does not want products from overseas (industrial

¹⁾ We will refer to this later on in the chapter "Gold".

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countries) as compensation for its own exports — will have to create a great deal of its own welfare *within its own borders*. This will be possible by producing for itself and its people. But it will therefore have to see to it, that the purchasing-power which is created in this way is distributed in a better manner, so that the American nation will be able to absorb also those additional products intended for home consumption. ("Quo Vadis?" plan B).

And it will be able to prevent overproduction and crisis such as we, and especially America, have known so well after 1929, by the application of plan A of "Quo Vadis?". Just because, as already demonstrated, there is no war damage to be repaired in America, no country in the world will be in such a position so quickly as just America.

Loss that is covered by a greater profit.

With the coming peace, sacrifices, even great sacrifices will be required of America, as will soon appear.

In the first place, one of these sacrifices on the part of America will be, that America will have to see its great gold stock become practically worthless, if "gold" is eliminated as "purchasing-power". Another sacrifice is, that with a rigid maintenance of the principle, that only the exchange of goods or services of equal value will be admissible, America's export will be undoubtedly handicapped.

Moreover, in the coming peace, in the interests of a sound building up of a new and better world, America will have to show great reasonableness with respect to the matter of debts, i.e., America's claims on Europe, dating from the last war, but also with respect to the new debts incurred during this war. This will be further elucidated presently.

But is it quite correct to speak of "sacrifices" here? For will not America too be benefitted by acting, in the future, exclusively in accordance with the rigid laws of economy, to prevent another new economic disturbance in the years to come, even if, for that purpose, it should have to act as described above, that is to say in a way which is *apparently* in conflict with its own interests?

But even if one could speak of "sacrifices", yet against those sacrifices would come to stand a "bigger profit". For here the way is indicated to America, viz by applying the "Quo Vadis?"-plans, to banish, for good, crisis and mass-unemployment, and to create, *on a*

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very solid basis "lasting prosperity", chiefly within its own borders.

Only the future can show of what great, almost inestimable value. "lasting prosperity" will prove to be for America, and of course, for the other nations too. But it is certain, that any sacrifices, however great they may be, will be far surpassed by the advantages attached to "lasting prosperity" and so, in the banishment, once and for all, of crisis and unemployment.

With this before us, everything that is written in *this* chapter, will be of the greatest importance at the coming peace negotiations.

CHAPTER XXIV

GENERAL AMORTIZATION FUND

In future all depreciation moneys — thus not only those of products already amortized, but still further utilized — will be deposited yearly by owners of houses and of ships, and by manufacturers (we will give our opinion about motorcars later on) in a

general amortization fund

which will be formed for that purpose.

The depositors will be credited for those amounts.

A yearly interest will be paid on those moneys deposited, for instance, the same as that, paid on government bonds (3 of $3\frac{1}{2}\%$).

Borrowing money.

It will be possible for the depositors to receive back in the form of a loan at a slightly higher interest for costs of administration — say $\frac{1}{4}$ of $\frac{1}{2}\%$ — a certain percentage of the money deposited — this percentage to be fixed later for each case — if they make a request to that effect and the administrators of that fund have no objection. It may be expected, however, that many will not need to avail themselves of that possibility. Now those moneys will probably grow into a considerable sum, which, especially in the construction of a new society, and in the reparation of the war damage, can be of very great benefit.

A good course of things assured.

Such an amortization fund will be very *helpful* for a regular course of things, whereas the cost for borrowers will be *very slight*.

For in this way the money necessary for the *replacement* of worn out and old-fashioned capital goods will be assured, and the administrators of the fund have it entirely in their own hands to see to it, that those moneys are utilized *for that purpose* and for nothing else! ¹⁾

So every one who has a fully amortized product, — a house, a ship

¹⁾ With the exception of course of the money that is temporally loaned, and in case of liquidation.

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or a machine — to replace, receives for this purpose money out of the fund, of course up to the amount that he has deposited for the product which has in the meantime been amortized.

In the manner here described, the capital goods falling under Plan A will form an entirely separate circulation of money and purchasing-power, which will be entirely controlled and regulated by the administrators of the fund mentioned.

Prevention of dishonest competition

That the money to be received by industrialists as compensation for depreciation should be deposited in a fund, has the great advantage, that in this way dishonest competition will be prevented. For many industrialists have a bad habit of only including *those* money factors in the costprices, which actually come from their cash. As, up till now, depreciation did not come under that head, depreciation was often not included in the costprice. This, of course, is wrong, and put competitors who did act as they should, at a great disadvantage.

By making the depositing of such moneys in such a fund obligatory, also *this serious* evil will be prevented.

CHAPTER XXV

ADVANTAGES ATTACHED TO THE APPLICATION OF „QUO VADIS?” PLAN A AND B

Here is the place to sum up, on the basis of the budget given in part II of the “Quo Vadis?”-brochure, all the advantages which would be attached to the application of plan A, B and D of “Quo Vadis?”. We give them below.

These advantages arise for a good deal from the advantages of a

“rise in the turnover”

and the

„multiplicity of the circulation of money”

already mentioned in the beginning of part II of this book.

So we come to the following immediate advantages attached to the application of the “Quo Vadis?” plans:

1. Strong rise in the profits in commerce and industry owing to the increase in turnover.
2. Fall of the pressure of the overhead charges per production-unit, also owing to that increase in the turnover.
3. Extra profit on the total increased turnover, owing to the lowered pressure of the overhead expenses per production-unit.
4. Considerably higher yield from the taxes, with the percentage of levy remaining the same.
5. Ceasing of the state expenditure for doles and for providing work.
6. Higher yield of import and excise duties.

ADVANTAGES

For the Netherlands the total yield per annum of points 1—6 was estimated by me at 700 million guilders.¹⁾

Further advantages of the application of the "Quo Vadis?" plans.

7. Considerable rise in the National Wealth.
8. Better return for the money.

So far with respect to the financial advantages.

Further:

9. Fit and fully paid work for all unemployed.
10. A balancing national budget (a balancing budget also for the Provinces and Municipalities).
11. With a very great increase in income as described above, the tax-moneys will come in in sufficient quantities to have the work for the general benefit, as described in plan D, carried out at full pay. Consequently: increase in prosperity also according to plan D.
12. With such an increase in incomes and activity along the whole line, it will be possible amply to apply the systems of "welfare bonus", both "direct" and "indirect" (plan B).
13. Prosperity of an unknown extent. over the whole line.
14. Increasing international traffic — exchange and barter — with a general international rapprochement, and removing of trade obstacles.
15. Peace, lasting peace.
16. Considerable disarmament down to a peace footing, with the consequent considerably reduced expenditure on defence, and so a greatly reduced national expenditure, whilst it will be possible to utilize the labour released from the army and the war industries for the further increase of prosperity in the manner already described in this book.

¹⁾ In the English edition of 1938 I estimated this at £480 millions if in England the "Quo Vadis?" plans were applied. For America at 20 milliard dollars. I suppose these amounts are estimated too low.

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As the reader will see, these advantages are very great, even all-dominating and what is still more, there are practically no disadvantages to weigh against them. But one important advantage will also be, that among the nations *there will be more confidence in a better future.*

Now this is a factor of the "very first importance", which is, as we already wrote in the foreword, essential, if we wish to be able to achieve a sound building up of a new and better Europe, even of

a new and better world.

ENDING OF THE CONFLICT BETWEEN CAPITAL AND LABOUR

I wrote in my "Quo Vadis?"-brochure in 1938: "There is no more foolish, even more *unnecessary* conflict in the world than that between "capital and labour". Foolish and unnecessary conflict, because the paths which lead to prosperity for "capital" and "labour" run parallel, for "capital" cannot follow the path leading to prosperity lastingly *unless* it takes "labour" voluntarily with it along the same path, and makes it a partner in that prosperity.

"Capital" — the percentage is so very small —, "labour" that is the mass, and the mass consumes; the small percentage represented by "capital" does not do so to the same extent. For *qua* quality, the product utilized by "capital" may be different, but *qua* quantity, it is the masses who are the consumers, and the quantity of products it just what is aimed at."

Plan B will provide the solution.

Well then, by applying plan B, that aims at the raising of the standard of living of the masses, and so, too, at the improvement in the legal state, an end will at last come to that wretched, even deeply tragic conflict, as it will then be entirely unnecessary.

The welfare committee.

In the chapter Plan B of the brochure mentioned, I wrote the following about the same question:

„So when the profits in the concerns, owing to a considerable revival, begin to flow copiously, then the moment has come for the raising of the standard of living of the masses.

This will not have to be effected by the awful conflict between capital and labour, certainly not by that awful weapon called "a strike", that, being two-edged, always wounds also those who use it. No, that is quite unnecessary, and is even harmful to prosperity, as we have seen.

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For that purpose, however there will be instituted a so-called Welfare-Committee, consisting of very sensible and practical persons, fully aware of the fact, that true prosperity can only be reached, if the way which leads there is trodden, and the end reached, jointly by capital and labour.

This Welfare Committee will have strict injunctions to raise the standard of living of the masses and that over the whole line, as soon as possible, in a sensible manner but very decidedly.

On the basis of the data necessary for the purpose, they will try to fix the bearing power of the "production", and whenever that bearing-power is considered sufficiently great, a rise in wages ¹⁾ over the whole line will be fixed and carried out whenever it should appear to be desirable and necessary, alternated with improvement in the labour conditions, and/or other social improvements, of which all the costs must be borne by the production.

In this way, as the production increases, and the results of industry become more favourable over the whole line, the standard of living of the masses becomes higher, and with it, the so longed for prosperity increases.

Now it is this very important and responsible task which will be laid on the shoulders of this "Welfare Committee". For it will be this committee, which will have to direct the created purchasing-power and to have it distributed in such a way, that everyone, and especially all ranks of society, will get their due share of it, that is to say, neither too much nor too little, so, that no purchasing-power will be left unutilized.

Neither too much nor too little.

We have seen a world crisis arise, which, to a considerable extent, was caused by the fact, that the working class, the mass, was apportioned too "little" of the purchasing-power created... Of course that is wrong. But when, after the previous world war, the workers suddenly asked for "too much", that was wrong too. "Too much" given to the workers would also lead to dislocation and ultimately to a crisis.

¹⁾ In which case of course, the already described system of "Welfare Bonus" must be applied, so that it is better to call this "increase of purchasing-power".

ENDING OF THE CONFLICT BETWEEN CAPITAL AND LABOUR

The correct equilibrium.

So it will be the task of the "Welfare Committee" to look for the correct equilibrium, so that neither too much nor too little is given to either group, industrialists — capital — on the one hand, and the employees on the other.

What employers might be willing to give to their employees in the form of a "welfare-bonus" — the so-called direct method — naturally does not come within the competency of this committee.

But the indirect method of that so-called "welfare bonus" *does*.

Superintendence of tax levy on industrialists' profits.

It will further be the task of that committee to see to it that in the creation of new social laws, but also in the execution of public works by the state, that this is done in such a way that the tax-levy on the profits of the enterprises necessary for this purpose is not forced up to such a degree, that the energy and initiative, but also the willingness further to accept risks, is killed in the industrialists.¹⁾

This committee will also have to keep an eye on the new investment, but let care be taken that the initiative is not unnecessarily checked.

The handling of the economic regulator "Plan A".

Whether at a given moment the time has come to begin demolishing fully amortized products, or not, according to Plan A of "Quo Vadis?", all that will have to be determined by that committee. At the very first symptoms of an approaching crisis this committee will be able to draw on the reserve formed from fully amortized products, by causing a commencement to be made with the demolishing, in order to nip in the bud any beginning of economic depression.

Looking after the workers.

Further, the care of the whole working class, and the protection of its interests, is naturally entrusted to this committee, and is left to its general superintendence.

Then — it must be repeated — there will be an end of that wretched conflict between citizens of the same state, which has led to so much

¹⁾ Like we experienced during this war period.

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distress, so much hatred and envy, but above all, to so much poverty.

* * *

The youth.

We will not conclude this chapter, without devoting a few words to the youth.

With respect to the youth, social equality will be practised, which means that in the future, more than was possible in the past, by a system of selection, the "gifted", also of the least financially strong ranks of society, will be given an opportunity to develop their natural talents to the highest possible degree.

It is of great and consequently of general social importance, that all exceptionally gifted people in the whole of our society should be recruited in that way, so that no useful men and no talent should be lost to the community.

WAGE AND PRICE POLICY

Directly after the termination of the war in the West, a sound wage and price policy should have been followed by the joint European countries unanimously and so in harmonious co-operation.

Since, in the field of economy, there in neither the least co-operation nor unanimity, this did not occur. And so every country has just followed its own prices- and -wage policy, in accordance with the circumstances and the views of those who had the management of affairs.

On the whole, the policy followed is that of "increase of wages", partly voluntarily, partly wrested by strikes.

For a long time, prices have been moving in an upward direction — in the Netherlands, the index figure shows a rise of 42 % compared with the prices of 1940 — and, in consequence of the *increase in wages* which have already taken place, and which are still taking place, this upwards movement will still continue.

With an index figure already raised 42 %, the fact that the workers desire greater "purchasing-power" is in every respect comprehensible, and even to be approved. But an "increase of wages" does not bring with it that greater "purchasing-power", because an increase in wages makes producing dearer, and so increases the cost of living. In this way again a great percentage, if not all of the "purchasing-power" represented in the higher wages is lost, so that new demands will soon be made with respect to the wages, and the notorious vicious circle begins to act.

No, the workman would only have obtained more purchasing-power if the wages of 1939, or the beginning of 1940, had been maintained and if *they* had been included in the cost price, and the workman had been given a "cost-of-living" bonus, of, for instance, 25% at the most, which was *not included* in the cost price. A price policy of a similar nature and purport should have been linked to it, by which the manufacturers and the dealers, both wholesale and retail, would not be allowed to calculate higher profits than they were accustomed to make in 1939.

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In that way, it would have been possible within 6 months or at most a year again to force back the prices, and with them the cost of living, to the level of 1939.

The difference between the price paid at the moment for the raw materials to be imported which would be required for the most urgent necessities of life, and what they cost in 1939 would have to be paid from an equalization fund to be instituted provisionally by the state.

As to the expenses connected with the granting of a "cost of living" bonus not included in the calculation of the cost price, they would have to be met either by the profits to be earned, or from the profits made during the war — that is to say from the reserves — and if that is not possible then also from an equalization fund to be instituted by the state.¹⁾

By acting in this way, the vicious circle would have been avoided, and the workers would have had considerably more "purchasing-power".

Acting in this way, in proportion to what the index figure would fall, the "cost of living bonus" could gradually be reduced, and finally be absorbed and replaced by the so-called "welfare-bonus", namely the share which the employees in future will receive in the profits — and so also a payment not included in the calculation of the cost price — as the reader has been able to find in the chapter "Prevention of the notorious vicious circle".

And so, in this way, the workman would, in the beginning, get the necessary increase in purchasing-power, and later on, his just share in the expected prosperity.

* * *

As had already been said, in most countries, in the Netherlands too, recourse has been taken to an increase in wages. But not sufficient attention has been given to the consequences attached to it. An increase in wages was held to be inevitable *therefore* it had to occur, and, that's that!

¹⁾ As naturally the industrialists, as soon as possible, must make a reasonable profit, then, if their diligence and their spirit of enterprise are not to be too much bridled, a considerable percentage of the expenses connected with the cost of living bonus will in the beginning have to be met from the equalization fund.

WAGE AND PRICE POLICY

On 3 July 1945, that is shortly after the end of the war in the West, I explained my point of view with respect to this wage and price matter to the Dutch government, in a letter.

On 10 July, I further elucidated my standpoint in a second letter (to the government) as follows:

There is a rather general opinion, that a great percentage of an increase of wages results in an increase of purchasing-power. This opinion is based on the fact, that there are some price-factors which are not influenced by this increase.

I will make the following reply to this:

Houses, ships, machinery are productive of much labour. An increase *in wages* will have a *very great* influence on the price of these articles. According to what I was told, the prices of building materials will soon be raised 50%. As a consequence there is more probability that the prices of new houses will rise more than 25%, than that this rise will be less. The rents will rise proportionately. And further, it must not be forgotten, that the employer is accustomed to earn something on the wages he pays, and so on the increased part of it, too.

One factor that appeared to me to be quite disregarded is the following; that on articles which reach the ultimate possessor or consumer via the wholesaler and the retailer, both groups earn something on the rise in wages, because they calculate their profits proportionately. The one group on the purchasing price, the other on the retailprice. As the factory price and the retailprice are approximately in the ratio 60 : 100, and the producers, (employers) also earn something on the increase of wages, it may be safely assumed, that on articles which are sold through the wholesale and retail trade, of every percent which the worker receives in *increased* wages, nearly 2 % is discounted in the retail price. Well then, in this way, what is left of the increase in wages, and so, of the increase in purchasing-power of the workers?

Practice showed us clearly enough at the time, in France under Leon Blum, the uselessness of raising the wages of workmen. The vicious circle necessitates one increase in wages after another.

But if the workmen receives a "cost of living bonus" *outside* the calculation of the costprice, it means for him just as large and effective an increase in purchasing-power, which will be enough at 25%.

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Even a 10% or 15% "cost of living bonus" outside the calculation of the cost price has more purchasing-power than a 25% increase in wages

Financial consequences.

The financial consequences are still *more* serious.

For, *after all*, an increase in wages all along the line comes to the same thing as "devaluation" of the guilder, and that to a maximum of 20 %. But through this, only one group of the population is hit, namely those living on private means, those who have savings, those who have a balance at a bank, those who are living on a pension, and those who receive a payment from a life insurance company. Also a sort of capital levy.

Another group, those who own goods, or capital goods as the case may be, see the value of their possession increase in value to the same extent, be it in... devaluated guilders. A gross injustice.

When presently the Chancellor of the Exchequer comes with measures to liquidate the heavy war debts, and to pay the interest on them, he will already find a very great group in the population, which has already been hit twice in their purchasing-power, in the first case by the 42% rise in the index figure, and in the second place, as a consequence of the recently introduced 25 % increase in wages, through which the index figure will rise still further, and the value or purchasing-power of the guilder will still further decrease.

And *only then*, will it be the turn of the Chancellor of the Exchequer with his measures.

But then it will appear, that the purchasing-power, and consequently the paying power, have already been seriously weakened and absolutely unnecessarily and uselessly too, because the workman with his 25% increase in wage is not better off, and so will soon come again for a further rise, or will go on strike for it, as the case may be.

A few figures.

A 25% increase in wages will lower the purchasing-power of the guilder to such an extent, that it will be as if that part of the National Wealth which gives interest, will have suffered an appreciable loss, a loss of *many* milliards of guilders.

WAGE- AND PRICE POLICY

An example.

According to Mr. Trip, the President of the Nederlandsche Bank. the total national debt will soon amount to 23 milliard guilders. Very well then, if on *that* $3\frac{1}{2}\%$ interest is received in guilders of 80 cents instead of 100 cents purchasing-power, it is equivalent to a reduction of the principal by 4,6 milliard guilders.

But the Chancellor of the Exchequer will have not a single benefit from it, for the debt remains 23 milliard guilders.

Now of course, that debt will be somewhat reduced, but we have not yet taken into account other interest yielding securities, nor annuities, nor payments by insurance companies, nor mortgages and rents.

And so we may safely assume, that as in future the interest received will be in *devaluated* guilders, it will be the same as if we received interest in full-value money but on a capital which has decreased in value to the extent of certainly 5 milliard guilders of *full value*, if the figure is not even higher. And so this is, as it were, a decreasing of the National Wealth by 5 milliard guilders, if not more.

But if, for 6 or 12 months — longer will certainly not be necessary — a "cost of living bonus" of 25% were to be given, assuming that $\frac{2}{3}$ or $\frac{3}{4}$ of this will have to be paid by the State out of an equalization fund, then, a few hundred million, very likely a half milliard will be concerned. But even should it cost one milliard guilders, — it will certainly not be more, — what difference will that make to the national debt, which will soon have reached 23 milliard.¹⁾ And that amount is only $\frac{1}{5}$, if not less, of what that other way, the way of increase in wages, would cost.

The psychological side.

The government would be in a much stronger position, especially with respect to the trade unions, if it maintained the wages standard of 1939 or the beginning of 1940, on which a *cost of living bonus* of say 25% was granted.

As it is, the heads of the trade unions will soon observe, that those

¹⁾ In the chapter "National Debts" we have already mentioned how high national-debts can be liquidated without disturbing our economic organism.

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increases in wages, bring very little, if any, increase in purchasing-power. New demands will soon follow, which will repeatedly have to be granted or.... they will be obtained by the strike method. So the increase will rise from 25% to 50%, from 50% to 75% and from 75 % to 100 %, just as in Belgium. There is no limit to it, and in this way we shall rush to a debacle.

With a system as aimed at by myself, it will be possible to say:

“with this 25% “bonus for cost of living”, the workman received an effective increase in purchasing-power of an equivalent percentage. Now we can and shall reduce the *prices* to the level of 1939 by just as serious measures, and so there can not be any question of further “cost of living bonus”. But that will not even be necessary, for the index figure will now soon show a falling line. Then it will gradually even be possible to reduce the cost of living bonus till it can pass into the “welfare-bonus” that is a share for the employees, in the profits to be made.” (see chapter “Prevention of the notorious vicious circle”).

The policy at present followed by the government is that of the well known drifting with the stream, the allowing oneself to be driven by circumstances, and so the path of least resistance, which, as has already been proved but too often, leads to catastrophes.

The other way, which leads back to the prices and wages of 1939, or the beginning of 1940, is a powerful policy, which gives *guidance*. In this, the government *itself* takes hold of the reins and forces our entire economic organism, in a fully justified economic way, into the right direction, and... what is a very important thing, this way is even much cheaper than the other.

Only with *such* a policy will it be possible for us to get out of the bog and by taking this path, our government and with it the Netherlands, would set an example to the other democratic capitalistic countries, which would be worth following.

Thus my letter to the Dutch government.

VALUTA STABILIZATION

The great chaos which prevailed in valutas in the years preceding the war makes it urgently necessary to set limits to this, once and for all, now the war is over. As a matter of fact nowhere have the stringent laws of economy been so trampled under foot as in the world of finance, consequently in the valuta world.

When in the month of August 1940, a few months after the occupation of a great part of West Europe by German troops, I published my peace program¹⁾ the outstanding feature of which was the already referred to

“Economic Federation of European States”,

with its seat in one of the small, formerly neutral European states, and with an objective Government, as already stated. No single state, neither a small minority of states would be in a position to exercise preponderating influence in this Union of States. In this peace program — a Dutch plan — the

Multilateral Clearing Institute²⁾

was mentioned as the second important institution. This Multilateral Clearing Institute was to be established annex to the Federal Government Machine. In the aforementioned peace program, I immediately added the following points:

- 1) In each state, a branch office will be established.
- 2) Commercial representatives, from each of the associated European states, will settle in the vicinity of the Federal Government and the Clearing Institute.

¹⁾ In August 1940 I published a paper entitled “Quo Vadis?”-Welfare Economy”, in which was included a complete peace program, which, condensed into a few short points, tallies with the plans developed in this book. I did all this, hoping that it would induce the conflicting nations to proceed to peace negotiations on its basis. 500.000 copies of this paper were distributed gratis.

²⁾ Already in my “Quo Vadis”-brochure which appeared in September 1938, such an institution is described in the chapter entitled “Barter”.

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- 3) Permanent Exhibition Buildings will be established for the affiliated states, in the place where the Federal Government Machine and that of the Clearing Institute are established.
- 4) An international exchange to be held daily in a building to be erected for that purpose, will in the same place form a great international centre of commerce, and a very great commercial traffic will result from it.
- 5) ¹⁾ Also lands situated outside Europe will send their commercial representatives to that central European Government and commercial centre.

It was a pleasant surprise to me, when, three years later (1943), the well-known English economist, Professor Keynes, Director of the Bank of England — lately raised to the peerage — appeared with his now widely known plan for valuta-stabilization, a Multilateral Clearing Institute formed also the basis and the outstanding feature of this plan.

Practically simultaneously with the Keynes plan, the American "White" plan was launched. In this "gold" was chiefly taken as a basis. As the reader will presently be able to see in the chapter on gold, absolutely the opposite standpoint is taken by me — a strongly dissentient standpoint with respect to gold.

Since then, both the Keynes plan and that of White have been replaced by a so-called plan of Bretton Woods, but which, in its chief points, closely corresponds with the original American plan, and in which, at least, "gold" has still been maintained.

We shall refer to this further in this and the following chapters.

A sound stabilization of the valutas.

If, now the war is over, we wish to arrive at a *sound*, and, consequently, economically justified stabilization of the valutas, it will not be sufficient, relying on "might", or, eventually on violence, to prescribe, or to insist imperatively on various new measures and stipulations, but we shall have to build up a complete economic organism, by means of which it will be *possible* to keep valutas stable.

¹⁾ In the peace program already mentioned, these points were numbered 6—10. The first five were then devoted to the organization of the Federation itself.

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The following are the requirements for such an economic organism, and, therefore, of such a future economic society.

We shall make brief mention of the requirements for this, but shall refer more fully to it in the following chapters.

International economic traffic.

In the future, this will have to consist exclusively in an "exchange" of goods, or in the rendering of "services".

Possibility of a supply of raw materials.

It will have to be possible for every state to provide itself unharassed with raw materials — by means of "barter" or by rendering of services.

No monopolies.

No trade monopolies will be allowed to hinder international economic traffic any longer.

The purchasing-power created.

The "purchasing-power", which is "created"¹⁾ during the process of production and distribution, up to exactly the same value as the value of the products produced, may only be utilized for "home use" the more so because, as already mentioned, international economic traffic will be based exclusively on the exchange of goods, or the rendering of services.

Capital-export.

Capital-export, being the export of "purchasing-power" intended for the home country, is a pernicious thing. Capital for which there is no employment at home, points to economic mal-administration. In the future, with correct economic administration, this need no longer exist.

Colonies and dominions, however, will be looked upon as belonging to the mother-country.

Commodity-export on long credit *will* have to be allowed under certain circumstances.

¹⁾ Better still: "re-distributed".

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Gold.

In the future, "gold" will be eliminated from economic traffic as "superfluous purchasing-power", and so, harmful to our economic organism. We shall refer to this again presently.

Stabilization of the Valutas.

If, by acting as shown above, the way to a sound international economic organism is taken, the following factors will have to be taken into account in fixing the mutual ratios of the valutas.

- a) The difference in the standard of living of the masses in various countries;
- b) The achievement potential of the population;
- c) The capacity and the efficiency of the production apparatus which each country has at its disposal;
- d) The unproductive burdens which rest on the production process in every country; (social burdens and state organism).

In so far as it is impossible to take these factors into account in fixing the mutual ratios of the valutas, tariff-walls will have to abolish the difference still existing. The more these tariff-walls can be avoided, the better.

It goes without saying, that, in the future, the thing is to strive as much as possible after conformity and equivalence in the various countries in the factors sub a—d.¹⁾

Valutas.

So, as already demonstrated, in the future, valutas will no longer be linked to gold, from which they can easily break away, as has been shown clearly enough.

In the future, there are two possible ways to be followed with respect to currencies:

- 1) An international unit-currency, with a national currency linked to it in a ratio to be determined later on.

¹⁾ The fact that there is much or little reparation to be carried out may have no influence on the ratio of the valutas.

- 2) A unit-currency, both for "international" and "national" use too.

The latter method can only be applied with respect to countries of which points a—d mentioned above are the same, or practically the same, as in the case of the leading industrial countries. If this is not the case, then the method sub 1 should be applied, at least *as long as* those differences still exist.

The system sub 1 is further elucidated below.

The method sub 2 will be elucidated in one of the following chapters under the leading "Unit-currency, both for international and national use."

International unit-currency.

For international commercial, or economic traffic, an international unit-coin will be created. This might have the value of the franc of the former Latin Union. (50 cents Dutch currency), or of the former shilling and mark. (60 cents Dutch currency).

This currency will be linked to all other currencies in a ratio to be determined later.

This international unit might bear the name of "Pax", a name which can easily be pronounced in all languages, and could be abbreviated to the letter P.

Tourist traffic.

This also could be done in terms of the Pax. It would be possible to pay with it one's hotel bill, for one's petrol or one's railway ticket or for one's seat in the theater. One could do shopping in big stores with it. Post office and other public institutions would accept it. For smaller expenses one could buy at the stations on the frontiers envelopes containing say 10, 20, 50 or 100 pax small change in the coinage of the land one was visiting. On coming home, one could take what was left of it to one's bank, which would change it for the currency of one's own country, making a small charge for doing so.¹⁾

¹⁾ See what is further to be read about this in the chapter "Unit Currency, both for international and national use".

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Devaluation.

Devaluation will be strictly vetoed. If, however, some state or other should devalue, all the other states would deposit at the clearing-institute a percentage of the value of the import from the offending country, greater than the percentage of the devaluation.¹⁾

As all international transactions will pass through the Clearing-Institute, it will be very easy to regulate all this.

Labour as measure of value.

Not gold, which as such has already failed so many times, but "labour" will, in the future, be the measure of value for the valutas. How that will be possible, will be elucidated in a separate chapter.

Solvency of the states.

The measure of the solvency of the states will be the "National Wealth". The credit to be granted to a state will be a certain percentage of this wealth — this percentage to be fixed later. See further the chapter on the "Solvency of the states".

Equalization fund.

For every state an equalization fund will be formed. It will consist of

equalization bonds

which will have their basis, but also their cover, in the "National Wealth".

How, with a disturbed equilibrium in the balance of payment, this will be utilized, how the interest on these equalization bonds will be raised, and how the redemption will take place, will be discussed in one of the following chapters.

Multilateral Clearing Institute.

This was already mentioned in the opening part of this chapter.

This institute, together with the Federal Board apparatus, will serve the entire future international economic traffic, and, if neces-

¹⁾ A fund will be formed with these deposits whose destination will be determined later on.

sary — for instance in case of disturbances — will exercise a beneficial influence.

In this, the already mentioned five commercial institutes attached to the Multilateral Clearing Institute will prove to be of the greatest use.

Deviations from already existing plans for the stabilization of the valutas.

Below we shall give a short resumé of the points in which this Dutch plan greatly deviates from the other plans for the stabilization of the valutas, hitherto discussed at Bretton Woods:

- 1) The crux of the Dutch plan is the Multilateral Clearing Institute. However, this excellent institute was *not* accepted in the last Anglo-American plan of Bretton Woods.
- 2) With the other plans, the "leading" countries have the most to say. With the Dutch plan, in which the Multilateral Clearing Institute and the Federal Board are the two leading institutes, (which, as the reader already knows, are both managed quite neutrally), there is no question of any state nor a small minority of states, having either the most to say, or the greatest influence.
- 3) The Dutch plan is strongly opposed to "capital export" as hitherto practised.
- 4) "Gold" will be definitely eliminated, whereas it has been maintained in the American as well as in the new Anglo-American plans of Bretton Woods.
- 5) In this Dutch plan, "labour" is suggested as the "measure of value".
- 6) In this plan, a "Unit currency", which will serve both for international and national use, is suggested as the most ideal solution of the currency-problem.
- 7) The unit-coin, as planned, will be called the "Pax".
- 8) The "National Wealth" is used as the measure of credit to be granted to any country.

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- 9) The "equalization-bonds", also based on and even covered by the "National Wealth" will, in event of a disturbed equilibrium of the balances of payment, provide for a *temporary* equalization. However:
- 10) the definite equalization, and so the sound recovery of equilibrium in the balance of payment, will be achieved by export, or by stimulating the rendering of services, of a country with a deficit in the balance of payment — if necessary, with the assistance of the commercial organs of the Federal Board apparatus or the Clearing Institutes, as mentioned previously sub 1—5, and so not, as aimed at in other currency plans, by depreciation of the currency — to a maximum of 10 % — of the countries with a serious deficit in the balance of payment.

* * *

Right of self-determination.

Last year there were conferences in America at Bretton Woods, about those English and American plans for the stabilization of the valutas and a decision has already been arrived at. In this, the governments of the European Continental States which were temporarily established in London, have been able to have their say. But it seems to me no more than fair, that the nations of the European continent, which have had to endure the blows of the war, which have assisted in the waging of the war, or which have had to endure the misery of occupation and who naturally will also have to bear the post-war burdens, should be given an opportunity, now the war is over, to give *their* opinion about the matter themselves.

For the nations of Europe have not been through all the misery of two awful world-wars, and the equally great misery of the world crisis, only to be treated afterwards like infants who should be seen and not heard. But this would be the case, if, on the other side of the Ocean, already important decisions had been arrived at for the future, by the American and the English governments, together with the Governments of the Continental states, of which many could no longer be considered sufficiently to represent those states.

For the least that those nations may certainly demand is, that such important subjects as the stabilization of the valutas have been judged

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or will be judged by "experts", who have given proofs, or are giving proofs, of having fully observed, or are fully observing, the extremely stringent laws of economy. The same holds good for any decisions which have been arrived at, or will be arrived at.

It is the writer's opinion, that it is seriously to be doubted whether this has been the case with those valuta-conferences in America.

* * *

In the following chapter, a beginning will be made with one of the most important problems in the field of monetary policy, namely the "Gold" problem.

G O L D

Is gold, used as "purchasing-power", a useful or a harmful factor in our economic society?

This question is, indeed, a very important one. The correct answer to it is of the very greatest importance, especially for the construction of our future society.

Now this problem can be solved in two manners.

The first method has been the usual one up to now. It is the one in which by a one-sided decision based on the serving of "self-interest", at least what is considered as such, a decision, supported and enforced by "might", is arrived at as to whether or not gold is to be upheld.

We shall discuss the second, and better method, presently.

Now that the victory in this struggle is again with the Allies, on which side the voice of America is a very powerful one, it apparently is in the interest of America — which shortly before the war had in its possession about 80% of 85% of the whole world-stock of gold — to uphold "gold" in all its glory, also in the future construction of the world. America will also probably be powerful enough to impose its wishes in this respect on the other states — provisionally, at any rate, those of its allies — as its will.¹⁾

We have already seen this tendency in the negotiations at Bretton Woods on the different plans for the stabilization of valutas, in which the English plan has apparently been driven into a corner, and the American point of view has triumphed.

For England, who has very productive sources of gold at her disposal, in spite of that, does not seem to want to stick to gold so firmly, and, apparently, would even be willing to let it go. The fact, that the war has reduced England's whole supply of gold to nothing and, that this has passed into American hands, will certainly have something to do with this, and so too will the fact, that America, owing to this great possession in gold, which will be supplemented every year from its own considerable possession of sources of gold,

¹⁾ During the war a moderate part of that American possession in gold has been removed gradually to other states, a.o. to South-American states.

will be able to exert a very great economic pressure on the world market and certainly on the world gold market, if "gold" should be maintained.

Now this is what England wants to prevent — which is easy to understand.

America already has the most to say.

But it seems that America, trusting to its tremendous "might", but also, and particularly, to the power which it has also obtained over England in the war — especially as a consequence of the tremendous supplies to that country under the so-called lend-and-lease law — wishes to stick to "gold" through thick and thin.

According to the Bretton Wood-plan, it is even the intention to make it obligatory for every country to deposit a certain amount in a fund, of which a certain percentage must be in "Gold", and to the extent of either 25% of the quota, or 10% of the gold reserves.

Of course, America thinks it splendid that most of those states which possess no gold-sources themselves, nor any longer have gold supply at their disposal, will have to borrow this gold from America, and that this borrowing will considerably raise the debts of those states, which in some cases, they have already incurred to America on the "lend-and-lease-pact". But, for the states concerned, it is, of course, disastrous. For in that way, the chance for those states to keep the paying-balances with respect to America in equilibrium in future has become considerably less, with all the economic complications consequent.

The whole national debts of those countries will also rise very considerably owing to that, and it goes without saying, that that is a very bad thing.

That America, by forcing its will in that way, would get a great financial and economic ascendancy over all those states, speaks for itself. But naturally, that is undesirable.

This is, as we have already written, the old method of pushing "one's own interest" with the aid of "might".

The other and better method.

But, the other method, the method in which, in the introduction to

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this book, I stipulated for a correct, and consequently economically justified construction of a new and better world, is *not* based on the serving of self-interest relying on "might". It is one in which the stringent laws of nature and the equally stringent laws of economy are taken as the only criterion.

If, with *those* laws before them, the question should be put, as to whether or not "gold" will have to be applied in the construction of a future new and better world, the answer, as we shall immediately see, will be different.

I do not hesitate already to give that answer here, and it is, that gold is a very harmful factor in our society, and has been so for already a long time. It is a factor so harmful, that it has a very great share in disturbing the economic even the political balance, the miserable consequences of which the world has experienced the last few decades, first in the 10 years of the world-crisis, and then in this awful world-war.

We shall elucidate all this later on.

* * *

A few words about the history of gold.

Gold is found in many places in the world, but places where it is found in large quantities are few and far between.

Sometimes gold is found on the surface of the earth and is freed of the surrounding sand and earth by "washing". But often it must be dug deep out of the earth.

In such cases the "gold", at least the earth containing gold, must often be extracted from the ground with great difficulty and at a great cost.

After it has been purified, and the pure "gold" remaining has been cast into so-called bars (of $12\frac{1}{2}$ kg) it is sent all over the world in that form. As gold is of high value, this transport is, of course, effected with the greatest possible precaution.

Now practice has demonstrated that these bars of gold, after having circulated via many countries, and still more vaults in banks, have finally — as already mentioned, about 80—85% of the gold-stock of the world — found their way into the treasuries of the U. S. A., which, deep under the ground, somewhere in Kentucky, are safely stored away, so that theft is out of the question.

GOLD

Putting it shortly, gold is extracted from the gold sources in the ground, and, after a longer or shorter journey, is put into the ground again, somewhere in America, and there it will probably sleep for centuries.

Now this gold has dominated our society for centuries: it has often brought joy and pleasure to those who possessed it, but has often caused considerably more deep human misery and disaster. For how many wars, for instance, have not been waged for the sake of gold.

The sources of gold.

It is chiefly America and England — in South Africa and Canada — and Russia, that have gold sources at their disposal with very great production capacity.

Apart from the countries already mentioned, there are still a few, i.e. The Netherlands with its Indian colonies, which also have sources of gold, but whose production is not of any significance.

Consequently it is clear, that those three countries, considered economically, owing to their possession of gold-sources, would be in a very favourable position compared with other countries, if "gold" should continue to play its old role in our economic organism.

An unfair handicap.

Inversely, all countries not possessing gold-sources, would be seriously handicapped with respect to those three great powers, which do possess them.

Here already is a serious cause for new economic derailments in the future.

Gold differs in many respects from all other products in the world. Every product has a certain trading or barter value, but, through this, is subject to the existing laws of supply and demand.

For instance, shortly before the war, we saw that a specific Dutch product like butter could only be exported abroad — to England — at a ridiculously low price.

90 million kg of our excellent agricultural products were withdrawn at the auctions or taken to the dungheap, because either there were no buyers, or the prices bid were much too low.

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*Gold is always salable
even for the full price.*

But suppose that "gold" was suddenly found in the Westland, at any rate in places where many of those vegetables were produced, then a buyer could always be found for *that*, and always at the full price.

Even America, which, — as already said — possessed 80%—85% of the world supply of gold, and so really does not need any more, has always been obliged to take *every* offer of gold on the world market, and that at the *full* price.

So *that* is where gold differs from all other products. But that enhances the advantage that countries possessing gold sources already have, because with "gold" they can always buy, and they can always sell gold at the *full* price.

There are still more points in which gold greatly differs from other products.

Limited and unlimited "life".

Every product has a limited "life". For one, it is only a few moments, for others days or years. There are products, as we have already seen, that defy centuries.

But for all that, they all come, sooner or later, to the end of their existence, on the rubbish heap or at the hands of the demolisher, either by consumption or by being entirely worn out or used up.

It is again a different case with gold, (with precious stones too ¹⁾ something of which does get lost, but then never more than an insignificant percentage. For the bars of gold, as these are utilized in the financial world traffic, which remain eternally in the treasuries or in the vaults of the banks, only to be transported from time to time to other countries, and into the vaults of other banks, are indestructible, and so everlasting. At most, a few are sometimes lost in a shipwreck, during transport. The amount of gold used in the ornament industry, or for medical purposes, or the making of gold coins, is only a very small percentage.

¹⁾ We can eliminate these further, because they are chiefly used as ornaments, and are only utilized in times of crisis or of war as investments. Industrial diamonds can also be left out of consideration here, as they are a help in the production.

So gold is everlasting and that is a very important factor in judging whether it is useful or not in our economic society.

Gold as "purchasing-power".

Now, however, we come to another very important factor, one which we have already mentioned many times, viz. the fact that "every product creates its own value in purchasing-power".

So gold does that too.

In the case of every other manufacture, after the production process a product remains, which disappears after a longer or shorter period, and, it is true, this product has a certain trading or barter value during its existence, but which is never looked upon as definite "purchasing-power". But "gold" after the end of the manufacturing process, that is when it is lying as bar gold in the vaults of the banks, is "purchasing-power" of itself and, then, indestructible, consequently everlasting "purchasing-power".

So, during the process of production, it creates first its own full value in purchasing-power, just like every other product, but afterwards retains its full value as "purchasing-power" and that even for ever.

In the production process of gold, actually the double value of the gold in "purchasing-power" is created, and in answering the question whether gold is a good or a bad factor in our economic life, this is of the very greatest importance.

For now we all know, that "during the process of production and distribution already sufficient "purchasing-power" is created to enable all products to reach their ultimate destination — the consumer or the user of the product.

Well then, as this is the case, we do not need the purchasing-power which is represented in "gold" itself, which, moreover, is indestructible, and so, everlasting.

"Purchasing-power" of gold totally superfluous.

And consequently this gold-purchasing-power is quite superfluous in our economic society, and everything that is superfluous is "too much", and so, on that account, harmful and even disturbing for the equilibrium in our economic life.

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From this it quite clearly appears, that gold is not only not a very good, but is even a very bad factor in our economic society, and so, if we want to construct a new and a better world, then it must remain unutilized, except for articles of luxury, and for medical purposes.

As I have already written, if we only see to it, that the purchasing-power created during the production and distribution process is well apportioned among all ranks of the population, and so, in the most effective way in our entire economic organism then *there can never be a shortage of purchasing-power*, and — provided the production adapts itself to the demand — not one product will ever have to remain unsold.¹⁾

Then gold as “purchasing-power” is quite superfluous, and as such, ought to be eliminated.

That the utilization of the perfectly superfluous “gold”, in spite of all this, has resulted in a dislocation of our economic society, is easy to understand.

That the dislocation caused by this entirely unnecessary “gold” as purchasing-power in our society has not caused still greater mischief than it has already done — for the world-crisis is also to be attributed to the dislocating influence of gold — is a result of the fact, that fortunately the much greater part of this entirely superfluous “purchasing-power” which is accumulated in the whole world-stock of gold, remains unutilized in the vaults of our banks or in the treasure rooms of the Eastern princes.

And, fortunately, in those vaults and treasure-rooms it does no harm.

Purchasing-power from the time of Solomon.

But, reader, just calculate what the harm would be, if all that gold of centuries and centuries ago, and so, also the “purchasing-power” created by it in the days of Solomon and the Aztecs, was suddenly made use of as active purchasing-power in our days. What a chaos that would cause.

And yet America is well on its way to do so. For, not knowing what to do with all that gold in its vaults, it wishes to force a great

¹⁾ Presently I shall show, that we have also to see to it, that no “purchasing-power” is exported in the form of foreign loans.

deal of its "gold", and with it the purchasing-power it represents, on all the states participating in the future re-construction.

But that *must* end in another catastrophe. And all that, while gold itself has demonstrated its own error, by, shortly before the war, accumulating up to 80 %—85 % of the total worldstock in the vaults of the banks of only one country, namely America. But, by so doing, gold has already actually, practically speaking, eliminated itself, and now America is endeavouring to prevent this, in the manner described above.

And so, American "might" alone would be in a position once more to force the circulation of the gold, and so the superfluous purchasing-power, and, by so doing, to repeat the economic mistake which has such disturbing effects.

We must prevent this by every possible means.

Accumulated "labour" of past centuries.

For in its value, gold represents nothing but accumulated labour "formerly performed".

Well now, of what good to us, in these days, is the accumulated labour of the days of king Solomon and the Aztecs? In our modern society, we have "labour" enough — during the world-crisis we had even much and much too much — and so can turn out "labour" enough, and with it can create enough new "purchasing-power", so that now we no longer need this accumulated "labour" and "purchasing-power" of past ages. Let America allow it to remain quietly in the vaults for ever and a day.

The only economically justified method.

This would certainly be a tremendous loss for America. But, may we start to build up a new world by repeating a mistake which we have been making for centuries? Certainly not. It appears very clearly from this, that the world economic traffic must be based *exclusively* on the exchange of goods, of goods and services ¹⁾ and *nothing else*. Moreover it must be seen to, that the balances of payments are in equilibrium. That, and that alone, is economically justified.

All that exchange of gold, that tinkering with valutas, and those

¹⁾ Tourist traffic is also to be included among "services".

long foreign loans, is not economically justified, and leads to the dislocation of our world economy. Let us then put an end to it as quickly as possible.

How the equilibrium of the paying balances of the states will have to be maintained, has already been described in the chapter on Valuta Stabilization, and that will again be referred to in one of the following chapters. The reader saw already that this takes place both by exchange via the Multilateral Clearing Institute, of equalization bonds, and by stimulating the export and the rendering of services on the part of the country with an unfavourable balance, if necessary, with the assistance of the institutes for that purpose, connected with the Federal Government.

The fact that people deviated from this good rule in the years preceding the war, and also that America supplied many more products to other countries than it received from them, is the cause of the accumulation of that 80 %—85 % of the world-stock of gold in its vaults, owing to which, gold, practically speaking, already eliminated itself, and demonstrated its unsoundness as stabilizer, as regulator, and as equalizer.

It must be repeated, only by testing all stipulations and measures by which we wish to construct the future world by the stringent laws of nature and the stringent laws of economy, and banning them irrevocably, if they are in conflict with those laws, can we hope to build up a new and better world — *and in no other way*.

One wrong measure — as I have already said — in a new plan of construction, and all the other peace-work would be fruitless, and a new catastrophe, worse than the former, would be born of it.

Well, such a wrong measure would be: the continuing to utilize "gold" in the post-war world.¹⁾

Disadvantages compensated by greater advantages.

I have already said, that it would be a great loss for America, if all the gold which has accumulated in its vaults should become practically valueless, if, in the future construction of a new and better world, it should no longer be recognized as "purchasing-power".

¹⁾ Once more: Naturally gold for ornaments and medical purposes is not meant here.

Yet, may I have succeeded in this chapter in marshalling the economic evidence to demonstrate that gold is an unsound economic factor, a very harmful factor even, which ought to be irrevocably eliminated; may this evidence be the cause of all those American gold stocks becoming valueless, against the loss, that America would suffer, at the same time there has been pointed out to America by me, as the designer of this "New World-economy" the way to create "lasting prosperity" there, by applying Plan A, B and D and that is of infinitely greater value, than all that American gold-stock put together.

Therefore, may I be allowed to advise the President of America, eventually together with his State Secretaries, carefully to re-read what is written on this point in the chapter "The United States of North America."¹⁾

Further, it will prove to be of inestimable value, if... by eliminating "gold" for good and all, the world, now the war is over, will be built up before long on a much sounder basis than with gold, for *only without gold can* the whole world tread the path which leads to "lasting prosperity".

Let people in America bear in mind that they, with their tremendous wealth of treasures of the earth, with their immense production machine, will be much more benefitted by a "prosperous Europe" and a prosperous world which would be able to absorb the American products on a large scale, than they would be by a Europe which, in consequence of unsound economic measures, such as for instance, the upholding of gold, would again face a period in which, after a short revival owing to the reparation of war damage, a depression would come, a Europe, and so a world, with little purchasing-power, and unable to absorb many (American) products.

No, America too, can only be benefitted by universal prosperity. And so let America, if necessary to achieve that, put up with some sacrifices, both financial as well as those that mean "loss of might".

¹⁾ And get into touch with the department for Social Affairs, and that for Finance, in Washington, and especially with the Law Library of Congress. For those departments and the latter mentioned institute, are conversant with the "Quo Vadis?"-plans.

LABOUR AS MEASURE OF VALUE

For a long, a very long time gold has operated as the "measure of value" for the *valutas*. Stockbrokers of the old school cannot, even to day believe that any other measure of value for *valutas* is imaginable than gold. And yet, in this function, it has often failed during the last few decades.

We shall not repeat what could be said about gold, in that capacity. In the chapter "Gold" we have sufficiently demonstrated the value, or rather the uselessness, of gold both as "stabilizer" and as "measure of value".

There will even come a time, a few years after we have broken away from this foolish fairy-tale about gold for good and all, that we shall look back with a smile on the time, that not only was gold surrounded by an aureol of stability, but it was also looked upon as the "rock" which would defy the ages, and to which we could chain part of our so mobile and sensitive economic organism — our *valutas* — and by so doing ensure the same firm stability for our means of payment.

Practice has shown only too clearly that this was not so, and not much will remain of the fairy tale that was called "Gold". Very likely, nothing but the memory of all the misery it has brought into the world, not to mention the rivers of blood which have flowed for the sake of gold.

Labour as stabile measure of value.

It is only "labour" that stands firm as a rock, and is at the same time everlasting.

We are not here referring to the labour which was *formerly performed*, and which, as we know, is represented not only in all still existing products, but also is accumulated in "gold", but we are referring to the labour which we perform to-day and shall be able to perform in the future. For so long as there are human beings on this earth, labour will be performed.

This labour is not performed by man only to provide for his livelihood, but it is also necessary to keep him sound in body and mind —

LABOUR AS THE MEASURE OF VALUE

this is especially the case in countries with a mild or a cool climate and certainly in the countries where the intellectual level of the population is high, or fairly high.

"Labour" will consequently have to be performed through all the ages. Therefore it will prove possible to make "labour" the firm "stabilizer", and at the same time the "measure of value", and that in the following way:

Levelling of the standards of living.¹⁾

The standard of living of the working class in the various countries producing on modern lines, such as France, Germany, England, the Netherlands, Belgium, the Scandinavian countries, Switzerland and Italy (the Northerly industrial center) will be levelled, naturally upwards.²⁾ (Plan B of "Quo Vadis?").

The division of callings into classes.

The most important callings will be subdivided internationally into classes.

Standard wages.

A standard wage will be fixed internationally for the lowest class of calling (Class A) which requires the least capacity and no schooled knowledge.

This standard wage will vary in accordance with the expensiveness of the town lived in.

Class A. the most expensive centers

„ A1: the less expensive centers

„ A2: the least expensive centres

For each higher wage-class B-C-D-E etc. a bonus, of say 4 % for each class higher, will be fixed.

¹⁾ What now follows was, for the greater part, published in August 1940 in the paper already mentioned.

²⁾ The standard of living of nations with a lower standard — for instance, the Balkan nations, — will be raised as soon as possible, but in a sensible way.

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Social laws.

These, too, will be fixed internationally, so that the cost will fall equally on the cost of production.

In that way, the same labour, but also the same product, will cost the same in the above mentioned countries, only there will still remain, to a greater or smaller extent, a difference in the rational production. But every country and every enterprise will have that in its own hands.

It will then be possible for tariff walls and obstacles to trade to disappear, at least, if care is taken, that there is no over-production, and consequently no crisis

Labour as measure of value.

Acting in this way, it will be possible to take "labour" as the measure of value, as appears from the following example.

Suppose that the international standard wage that will be fixed for "calling class A", is fixed for the Netherlands, (for the most expensive centers) at f 24.— for 48 working-hours, that would mean that one hour of work was remunerated by 50 cents, but also that one fl. represented 2 hours of work.¹

For Switzerland, for instance, with its franc of 50 cents (Dutch currency of about 1930) 1 working-hour would be remunerated by 1 franc, and so the franc would represent the value of 1 workinghour. Since the ratio of the guilder to the Swiss franc was originally 2 : 1, this calculation tallies exactly.

"Labour" standardized in that manner, would prove to be the most correct measure of value for the valutas. The more so, as standard wages and classifications fixed in such a way, can be maintained for scores of years. Such a stabilization of valutas has only to be carried out once, and, then, shortly after the war.

Better remuneration for labour.

The standardization of wages in such a way, need not be an ob-

¹) The amount of f 24.— was taken by me for convenience sake. But since these lines were written, wages have been raised by about 25%, so that 1 working-hour costs 62,5 cents, and the value of a guilder represents 1,6 working-hours.

stacle to a better remuneration of labour, consequently a raising of the standard of living of the working classes.

Only, we must continue to bear in mind, that a rise in wages, as carried out hitherto, resulted in a rise in the prices of the products, and consequently raised the cost of living too.

We have already stated that this again sets in action the vicious circle and so makes the rise in wages which had already taken place, to a great extent fictitious.

We shall have to avoid that mistake, which can be done in the following way:

In the first place, by further rationalizing production in the future, and so producing still more cheaply, so that the "purchasing-power" in all ranks of the population will become automatically greater.

But the principal source of raising the "purchasing-power" in the future will consist in a share that the employees will receive in the advantages — the profits — which the process of production yields, and that in the form of the

"Welfare Bonus"

already mentioned and described, either in its direct or indirect application, very likely in both. As the "Welfare Bonus" is a remuneration of the labour, not included in the calculation of the cost-price, the price of the article remains unchanged, and consequently each such increase of remuneration of labour represents an equivalent increase of the purchasing-power of the workman, or of the employee.

Fluctuations in the prices of raw materials on the world market will continue to occur, and so continue to influence the price of the products. But, in this way, every country will be equally effected.

It will, however, prove possible, by means of an international classification and standardization of wages still further to be carried through, to temper the fluctuation in the world-prices of raw materials in the future, considerably.

At the same time, in the manner here described, it will be possible to prevent, in the future, a country with a lower standard of living from seriously competing with another land, so that in consequence of this, in the future, too, still higher tariff walls should prove to be inevitable between the countries producing on modern lines.

But as to the principal thing, *the price*, which in future will be paid

NEW WORLD ECONOMY

for "labour", this will always remain the same, at least that part of the price, which is included in the calculation of the cost-price — and, after all, that is just the issue. That is why "gold" too, those blocks of "accumulated labour formerly performed", will have to retire as measure of value in favour of the "labour" which we shall perform in the future.

In this way, we shall, at long last, have found the immutable "measure of value" for our valutas.¹⁾

¹⁾ Would it not be desirable, as yet, to add to the Dutch-Belgian toll union, what is written in this chapter? For such a toll union might prove to be a risky experiment for the country, with the highest standard of living.

UNIT CURRENCIES BOTH FOR "INTERNATIONAL" AND "NATIONAL" USE

In a plan for the stabilization of the valutas made by me in 1940, I described what, in my opinion, was the most ideal solution of the currency problem.

the unit currency

both for international and *national* use.

All European states coming into consideration for this, would then have one currency of the same value, something like the franc of the Latin Union at the time.

By all states coming into consideration is meant, all countries of which the standard of living is on the same level, or about the same level. In the first place, that means, of course, the leading industrial countries working on modern lines. For the remaining countries, the system of an international unit currency, with a national currency coupled to it in a certain ratio, is for the time being, preferable.

For such a unit currency, also for international use, a coin of the value of the former gold-franc (50 cents Dutch currency) would be most applicable, or a coin corresponding in value to the previous gold-value of the shilling,¹⁾ or the Reichsmark (60 cents Dutch currency).

However, every country could give to that unit-currency, which would serve for national as well as for international use, the name of the coin it has hitherto used.

The name "franc" could be used for all countries which have hitherto used the franc, the lire for Italy, the Mark for Germany, the shilling for England and Austria and the guilder for The Netherlands. But it would be much better to make the name of the coin uniform, for instance, to call it the "Pax".

All those coins would then have the same value, either 50 or 60 cents Dutch currency, former gold-value.

¹⁾ Very likely England could decide at the same time, to introduce into its monetary system the decimal system, with the shilling as the basis.

NEW WORLD ECONOMY

But each country would keep to its own monetary system and naturally, to its own bank-notes. We shall immediately show, how that is possible.

As international economic traffic will, in the future, be effected exclusively via the clearing institute ¹⁾ by which any deficits or surpluses in balances of payment will be settled by the already mentioned "equalization bonds", the bank-notes and the small money of such a unit currency will be destined exclusively for home use. At most, it will be possible to utilize the bank-notes for foreign travel. In what way that will be possible, will also again be referred to, immediately.

The name "Pax" which is intended for international use, will exclusively be used by every country for offers abroad, for invoicing and for collections for export consignments.

Naturally this will be the case, if there should be an international unit currency, which is *at the same time* national, as planned by me.

A middle course is easier but not better.

A middle course, as proposed in the Keynes stabilization plan, namely, a unit currency with currencies coupled to it for each country separately may, very likely, be easier to introduce, but, in the long run, a unit currency both for international *and* home use, as described in this chapter, is, of course, much to be preferred.

It would, of course, only be possible to introduce such a drastic modification in the monetary systems of the diverse countries without too much disturbance, at one and the same moment, and that would be shortly after the war. Because, then, the economic organism of each country will have to be entirely re-organized, and adapted to the new situation.

Once such a measure should have been decided upon, and the choice have fallen on a unit-coin of the value of 50 or 60 cents Dutch currency (gold-value) ²⁾ then a transition period, in which the old currency could be exchanged for the new, would have to be accepted. For that purpose, a ratio will have to be fixed between the old and the new currency.

During that transition period, it will be possible to speak of old guilders and new guilders, or old francs and new francs, etc.

¹⁾ This at least, in accordance with the plan designed here.

²⁾ That is to say, the old gold-value.

UNIT CURRENCIES BOTH FOR INTERNATIONAL AND NATIONAL USE

Conversion will be necessary.

At the moment that the new unit-currency is introduced into the various countries, all debts, or claims, will have to be converted from the old currency into the new, and that in the ratio fixed.

All wages too, will immediately have to be fixed in the ratio of the old currency to the new.

If the way projected by me with respect to the remuneration of "labour" should be followed, namely, the international grouping of the principal callings into classes, and also the international fixing of a standard wage for the lowest wage classes (class A), with a bonus for the higher wage-classes, such a conversion as meant above can, for the greater part, be omitted, for the wages in the countries coming into consideration will be modified all the same, and, naturally, immediately adapted to the new currency.

All wholesale and retail prices will have to be immediately converted into the ratio determined upon.

Fixed rates will have to be modified.

Railway tickets, tram-tickets will all have to be printed again, and new postage stamps issued, and, during the period of transition, will have to be adapted to the new currency, if possible, by having this printed or stamped on them. Very likely it will be possible to manage things by means of a general announcement, in which the ratio of the old currency to the new is stated.

The difficulties in commerce and industry will not be great, because, there the price of articles with fixed retail-prices, the so-called "mark" articles, will, after the war, have to be calculated again on a new basis, because, probably, the prices of raw materials will be quite different from what they were before the war and there is also a chance of higher wages, and higher costs on the whole, than before that time.

So that, people *will have to adapt* themselves to the new situation, and that can be done just as well directly with the new currency.

Therefore it is evident, that the introduction of a unit-currency for national use too, need not meet with so many difficulties, provided, the change takes place soon after the war. If this should be done, of course, a unit-currency for both national and international use has many advantages over the middle-course of a unit-currency for international use only, as already mentioned.

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A unit currency on those lines will, of course, contribute in no slight measure to making European unity still closer.

As already said, the introduction of unit currencies, for *national* use as well, does not exclude the other plan for introducing unit currencies, with currencies linked to them in a fixed ratio. For countries with a deviating (too low) standard of living, this way will even have to be followed for the time being.

To be recommended for countries with a high valuta.

For countries with a high valuta, a unit currency, also for *national* use, is certainly to be recommended. For it has appeared sufficiently in practice, that countries with such high valutas as, for instance, The Netherlands with its guilder¹⁾, always have a higher standard of living and life in such countries is consequently much dearer than that in countries with a lower valuta, as for instance France with its franc, and Italy with the lire.

The foreigner especially has experienced this.

This will probably remain so, in the case of a currency exclusively for international use coupled to the original currency of the country in a ratio to be fixed later, in which the Netherlands would maintain its national currency, which is of high value compared with that of other countries.

And so, a unit currency, as projected here, also for national use, would greatly advantage tourist traffic in our country.

The necessary attention should be paid to this project.

Once again tourist traffic.

I refer to what has already been written in the chapter on "Valuta-stabilization" in connection with the use of the *national* unit currency, also for tourist traffic. This need only be slightly modified in order to make it suitable for the unit currency for national use.

"Tourist traffic, too, could be effected by means of this currency. It would be possible to pay one's hotel bill, for one's petrol, one's railway ticket, for one's seat in the theater, and to do one's shopping in the big stores with it."

¹⁾ America, with its dear dollars, is not included, as it is not part of Europe, although there would not be the slightest objection and it would even be much to be recommended if America too, should fall in with such a currency system.

UNIT CURRENCIES BOTH FOR INTERNATIONAL AND NATIONAL USE

“Post offices and other public institutions would accept it. For small expenses, it would be possible to have at the frontier stations envelopes available, containing 10, 20, 50 and 100 units in small cash of the national currency of the country to be visited.”

“What is left on one's return home, is taken back to one's bank, which changes it for one's own national currency for a slight indemnification.”

For tourist traffic, people would only be allowed to make use of the bank-notes, and *not* the small change of the national currency.

The best thing would be for all countries using the international, and at the same time, national currency, to have one and the same sort of bank-notes, with the name of the country concerned, printed in bold type on both sides, in the middle, in a coloured space for that purpose. For each country a different colour.

Once the national bank-notes have been spent abroad, they may not be put into circulation again. Every-one who receives such a bank-note, or bank-notes, whether he is a hotel-keeper, a post-office official, a railway official or the keeper of a store must present it, as soon as possible, at the nearest bank or post-office for exchange.

The branch-office of the Clearing Institute in each country collects all such foreign bank-notes, and sees to it that they return to the country of origin via the Multilateral Clearing Institute.

The small change.

As to the small change, which is destined exclusively for home use in each country, it would be possible for there to be a certain uniformity in this too, by making four kinds of coins namely, round, square with round corners, hexagonal, and octagonal

It would be possible to have more variations by making a hole in them, in which way we should get twice the number. But that will not be necessary.

There would further have to be an investigation into the technical possibility of having the coins provided on one side, or on both sides, with a clearly coloured rim, on which the name of the country of issue is printed in bold letters. It would very likely be possible to effect the colouring by means of enamel, in such a way, that the colour does not wear off.

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In such a way, it would be impossible for such a coin to get across the frontier without immediately being noticed.

But then there would be a certain uniformity in the coins of all European countries. For they would only have to be in four shapes, stamped as mentioned above, to be provided with coloured rims in different colours, for instance red, blue, black, green, yellow, orange and white.

What is written here, of course holds good in the first place for the standard coin, for instance the franc, the mark, the guilder, the lire and the shilling. But, naturally, each standard coin would have to be sub-divided into smaller units, $\frac{1}{4}$, $\frac{1}{10}$, and $\frac{1}{100}$ for instance, for the Netherlands $\frac{1}{4}$ guilder (our kwartje) (approximately $5\frac{1}{2}$ d.) $\frac{1}{10}$ guilder (our dubbeltje), (approximately $2\frac{1}{4}$ d.) and $\frac{1}{100}$ guilder our cent, (appr. one farthing).

Of course the "stuivertje" (appr. 1 d.) which is so convenient, and the $2\frac{1}{2}$ cent piece could be added to the list.

But also the coins of a greater value — as, for instance, $2\frac{1}{2}$ times the value of the standard coin — our rijksdaalder —, and five times the value of the standard coin. Higher units can, and naturally will, be in the form of bank-notes.

So that too could be carried out practically uniformly in the manner planned here.

The ideal in the field of currencies would be reached also by establishing uniformity in the *name* of this national currency of the standard coins "Pax" for the standard coin.

Paxo for $\frac{1}{4}$ pax

Paxy „ $\frac{1}{10}$ „

Paxa „ $\frac{1}{100}$ „

Naturally for the 5 cents and $2\frac{1}{2}$ cents piece, respectively 5 paxa and $2\frac{1}{2}$ paxa. If desired "paxu" for the "stuivertje", and further:

"Apax" for a coin having the value of $2\frac{1}{2}$ pax

"Opax" for a coin having the value of 5 „

INTERNATIONAL ECONOMIC
TRAFFIC

In the chapter "Valuta stabilization", the following may be found with reference to international economic traffic.

"This will consist exclusively of exchange of goods and the rendering of services."

We can immediately add to this: "And also there will have to be energetic striving towards equilibrium in the balance of trade, even towards equilibrium in the balance of payment."

The stringent laws of economy are very seriously trifled with in international economic traffic.

That a sound international economic traffic may exclusively consist in the exchange of goods and the rendering of services — tourism comes to a great extent in the latter rubric — arises from the fact, that, as we already know:

"A product is the sum of raw materials costing nothing, and energy, of which only the human energy and the rendering of other services is remunerated, and determines the price of the product."

From this it can be concluded, that the export of goods is nothing else than the export of "labour", and that the import of goods is also import of "labour".

The rendering of services, too, is nothing but the performance of "labour", in some form or other.¹⁾

And so international economic traffic is nothing but an exchange of "labour" namely: labour formerly performed, just performed and labour yet to be performed, and the value of such exchange ought naturally to be equal.

¹⁾ The lending of money, too, is a rendering of services, for this is simply lending "purchasing-power", obtained through labour. But, here, this will be left out of consideration for a moment.

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Up to now, this has not been the case. And so, as soon as there was a disturbed equilibrium in the balance of payment, then this difference was removed by means of "gold", and the equilibrium restored.

A few words about "gold" again.

In a previous chapter we have already shown, that "gold" is a very harmful factor in our economic society, and so, ought to be eliminated as soon as possible.

It has appeared sufficiently clearly, that, here, we had only to do with a makeshift, which was ultimately characterized as unsound by its accumulation in one hand.

To take America, again, as an example. In that country, before the war, the majority of the world supply of gold was amassed there, as a result of the fact that America had supplied other countries with tremendous amounts of labour, and had received in compensation the unsound "gold", unsound because, in the first place, it is entirely "superfluous purchasing-power", and, moreover, represents masses of labour which was *formerly* performed, often very long ago.

And now this is how we have been acting in a world in which 15—25 millions of unemployed have been asking for work, and have not got it.

* * *

Moreover, if a country has no stock of gold and does not possess gold-sources either, then it must "borrow" this gold from other countries, which, as we already said in the chapter "National Debts", in its turn has very a-social and uneconomic consequences, irrespective of the consequences which we shall describe in the chapter "Capital Export".

Capital export.

But the balance of payment was also settled in another way, namely by "capital export", thus by loaning money abroad. Well then, we shall show what bad consequences are attached to this too, in one of the following chapters.

Devaluation.

By the new Anglo-American plans for the stabilization of the valuta, "devaluation" will continue to be used as the means for recovery from lack of equilibrium in the balance of payment, and that to a maximum of 10 %.

Now, I consider this the most unsound method of restoring the equilibrium.

For the country which devaluates, may be able to export more easily, but, on the other hand, it must pay dearer for its imports, which, in its turn, is a tax on the home economic organism, and, in the first place, presses heavily on the standard of living.

Let us drop that tinkering with valutas, there is no knowing where the end will be. It is and remains nothing but a makeshift.

The only sound manner.

It must be repeated: the only correct form of international economic traffic is the equal exchange of "labour", that is, exchange of goods and rendering of services. All the rest is "self deception", and again eventuates in a dislocation of our economic society.

* * *

Equalization bonds.

For a *temporary* recovery from a disturbed equilibrium in the balance of payment the

equalization bonds

already mentioned, can very well be utilized.

These, too, represent "labour", formerly performed but, fortunately, not, as is often the case with gold, "labour which was performed ages ago", or labour by negroes deep in South Africa, or by whites, often adventurers, somewhere in Alaska.¹⁾

For these equalization bonds will represent chiefly "labour", performed in one's *own* country, or in one's *own* colonies.

But these equalization bonds too, to which we shall return again more fully, may only be used *temporarily*.

¹⁾ Not even to make mention of the fact dividends as a remuneration to American and English moneyed interests, as discounted in the value of the "gold".

NEW WORLD-ECONOMY

Stimulous to export.

The only correct method to restore equilibrium in the balance of payment is the utilization of the commercial organs, attached to the Institute of an Economic Federation of European States, already mentioned by me, but which, because they are so important, I shall here repeat again:

- 1st. A branch office of the Multilateral Clearing Institute will be established in every state.
- 2nd. Commercial representatives of every European member will settle in the environs of the office of the Federal Board and of the Clearing Institute.
- 3rd. Permanent exhibition buildings will be established by the member states, in the same place where the apparatus of the Federal Board and the Clearing Institute will be established.
- 4th. A daily international exchange to be held in a building to be erected for that purpose, will form a great international commercial center in the same place, and will lead to intensive commercial traffic.
- 5th. Also countries lying outside Europe will send their commercial representatives to the Central European Boards and commercial centers.

With the aid of these organs, and the commercial experts attached to them, the export of a country with a deficit in the balance of payment will be stimulated, and this country will also receive help and assistance in making all the articles which it can produce for export, more attractive. It goes without saying, that the other states will be stimulated to buy more from such a country.

Even if this should sometimes have to be done at the cost of sacrifices on some side or other, yet a harmonious co-operation in a future new state, and its economic success, is of such great importance for all countries and nations concerned, that it is worth a few sacrifices.

It must again be repeated, that an exchange of newly performed "labour", or "labour" to be performed, — that is to say, of the results of labour in the form of products or services — exclusively on a basis of *equivalency*, is the only correct method of international economic traffic. Whatever we do, do not let us deviate from it.

The Multilateral Clearing Institute.

Here is the place to devote a few words to the Multilateral Clearing Institute.

In every country people are familiar with the "giro" (transfer system). We know how excellently this institute works, what a convenience it is both for the private person and the business man, and so we should not like to do without this excellent institute.

Well then, what the giro is for each country, the Clearing Institute is, to a certain extent, for international economic traffic. Certainly, a Multilateral Clearing Institute — with branches in every state — will, as a part of

an Economic Federation of European states

prove to be an institute of *inestimable value* for the entire international economic traffic.

For it will be possible, without the cramping and energy-killing influence of a "strictly planned economy", by means of such a Clearing Institute, to keep a watchful eye on the entire economic traffic — and it ought to be done too.

And with the already repeatedly mentioned "commercial institutes" attached to it, such an institute will be able to go to work both as adviser and pioneer, and, acting in such a way, it can be of great service.

The Clearing Institute will only act as a regulator in cases of excesses, that is, with serious irregularities in the balance of payment. And even, in such cases, it will always have to be a matter of "advising" in the first place, in which, however, the *moral influence* emanating from the board of such an institute will have to be so great, that the advice given will be so taken to heart, and consequently followed, that a disturbance in the equilibrium will soon be corrected in the only sound way, that is by replenishing the shortage of "labour" supplied in the form of products or services rendered, as quickly as possible.

There is no institute imaginable which will be able to have such a great, even beneficial influence on our future international economic society, as just that Multilateral Clearing Institute, in conjunction with the Federal organism.

America has another opinion about it.

It is deeply to be regretted, that at the negotiations about the stabilization of the valutas, the Multilateral Clearing Institute was *not* included in the plans, that the excellence of that institution was not acknowledged, or rather, that it would not be accepted.

Instead, America has given evidence of wanting to retain a great degree of freedom of action, so that, in the future, it will again be able to go on forcing a portion of the American supply of gold on America's debtors, advancing money to financially weak European states, and exporting to the same countries at will, with, by preference, as little as possible compensation in the form of finished products from those debtor-states.

Put shortly, the plans give the impression, that it is the intention — as has been the case up to now — to go on trampling the stringent economic laws under foot, with them.

That such a state of things must, in the future, once more lead to a débâcle, and that, by acting in this way, these American financiers and experts show, that they have learnt nothing, absolutely nothing, from the two world wars and one world crisis of unprecedented extent, cannot be doubted.

That America has supplied "labour" to Europe since 1917, to the ~~sum~~ of tens of milliards of dollars without receiving anything of value in return — for those many milliard dollars in gold which were received in exchange, will certainly no longer be called "something of value" — that 12-13 million unemployed there in the crisis years have paid toll for that faulty economy, and would still be paying toll to this very day, *if* there had been no war that, too, has apparently not been a sufficient lesson.

The same wrong path is calmly and unremittingly followed. Why? . . . well, because, there in America, they see no other way of keeping the huge American production apparatus going, now the war is over. There they foresee, and very rightly, another crisis, a crisis more serious than the previous one, and think, that, in this way, they will be able to prevent it.

But the Americans are making a mistake in this.

Let us hope, that the contents of this book, and especially the chapters entitled:

"Prevention of Crisis and Mass Unemployment"

and

"The United States of North America"

will also bring the foremost American "leaders" in Washington to see in good time, that there are better ways of leading American industrial life to lasting boom conditions, and, at the same time, also to fill the vaults of the Wallstreet magnates.

All this can be achieved in the manner planned *here*, without acting in conflict with sound economy.

SOLVENCY OF THE STATES

As a matter of course, in the future, it will have to be the aim of every government always to keep its balance of payment in equilibrium as much as possible.

It is comprehensible, that this will not always be possible, and it is for that purpose that the egalization bonds already mentioned, are intended to correct any differences.

But how great may that disturbed balance in a state be? In other words, how great may be the credit granted by the other states jointly to such a state with a deficit?

In the Keynes plan that question is answered as follows:

“For every participating country a certain quota will be fixed. This quota does not serve as a basis for *contribution*, which is not necessary in the Keynes plan, but serves as a standard for determining the participation in the government of the Union and, at the same time, as a standard for the defining of the claims to utilize the facility for credit. The quota will be calculated in accordance with the extent of the foreign trade of the various partners, provisionally on a basis of 75% of the average of the total imports and exports for the last three pre-war years. (If the total trade of The Netherlands is fixed in round figures at Fl. 2 milliard a year, this would represent an initial quota of Fl. 1,5 milliard.)”¹⁾

It is remarkable that the standards which were adopted in our former economic society in granting credit, are entirely lost sight of here.

If a business man, or an enterprise, applies to a bank for the purpose of obtaining a certain credit, the following points are submitted to an investigation:

a) How high is the credit asked for?

¹⁾ In the meantime, in the latest Anglo American plans the quota for the Netherlands is fixed at \$ 275 million.

- b) How do the assets of the person (enterprise) applying for credit stand with respect to the liabilities — in other words — is there a surplus, and how great is it?
- c) Is the business (enterprise) of the person or concern applying for credit a paying concern?
- d) What reputation has the person, or the management of the concern applying for credit, with respect to morality, professional knowledge, and further capacities necessary for carrying on business in a sound way?

Must another standard be adopted with respect to states?

As to point d, certainly. In a future European Bond of States it is assumed a priori, that all states joining the bond are honest, and that the governors, who of course will be changed from time to time, are people of high moral standing, and competent for their task.

Point c) In the case of a state the question of the yield does not occur, here there is no question of a business undertaking. But the budget is of great importance, in other words, it is important whether the expenditure is covered by the revenues.

Should that not be the case, then, if a big credit is granted, it would be desirable for the Federal Board to keep a watchful eye on things.

Points a and b must now be taken together: how large is the credit which may be granted; in other words, in how far may the balance of payment be passive, and how great is the balance of the assets of that state.

If we now make up that balance, taking into account the national debts, which have risen enormously, the chances are great, that, soon there will not be a single state where the value of the assets is not exceeded, at least practically equalled, by the total of the public debts.

But if the national debts, especially the debts which have arisen through the war, should, in future, be liquidated in the manner given in this book, in the chapter "National debts", by annual amortization of the capital sum, by a slight percentage, then, in my opinion, there is not the slightest objection to calculating the assets of a state, without deducting the public debts.

In that case, the solvency of a state would be dependent on the national wealth, whether taken *as a whole*, or whether, in those states where there is a capital tax, the national wealth is estimated at the total of the capitals of those assessed in the capital tax.

That could be taken as a basis, but one could also fix the basis by adding to it a certain percentage, in order to arrive at the total national wealth.

Once these bases are determined and one of them accepted as the most practical, it only remains to determine what percentage of that national wealth basis may be adopted as the credit to be granted to a state.

The writer has adopted 5% for this purpose, to be calculated on the National wealth, in accordance with the assessments in the capital tax. That would be for the Netherlands about f. 600 million.¹⁾ But, of course, another percentage can be taken and another basis of wealth too.

But by going to work in this way, practically the same standards would be adopted for granting credit to states, as it is customary to adopt in civil life. Why should this be deviated from in the case of states?

How it will be possible to found an "Equalization fund" by acting in this way, and how it will work, will be described in a following chapter.

¹⁾ Calculated from pre-war data.

AN EQUALIZATION FUND

In the manner described in the previous chapter, it will be possible for every state to determine for what amount an "equalization fund" may be formed, which means, for what amount each state may issue equalization bonds.

Equalization bonds are documents to the value of f. 1000.—, or, if one will, f. 10.000.—, the value of which will be based on the National Wealth, and which, as we shall immediately see, are "covered" by it. The total amount of the "equalization bonds" to be issued, will decide the total of the "equalization fund", and this, in its turn, will be a certain percentage of the National Wealth, to be fixed later.

As to the interest to be paid, the best way of raising this will be by a certain levy on imports and exports, also on international rendering of services. For the sake of consistency, the best way to raise the money for the redemption will be by levying an additional charge on death duties. Of course, an other course of taxation may be chosen.

It is just such a "capital levy at a division of property", on behalf of the redemption of equalization bonds, and so by continued arrears in the balance of payment, that will incite the leading figures in the government of every country, but also in industrial and commercial circles, to do their very best to achieve equilibrium in the balance of payment.

And all the more so, in order to be free of a levy on imports and exports. Of course, interest and redemption are only due on that part of the equalization bonds which has been issued for the equalization of the balance of payment.

However, by continuing, for the time being, to levy a certain percentage on the imports and exports, and also to levy an additional charge on death duties, in years when there is a state of equilibrium in the balance of payment, too, it will be possible to build up a reserve fund, out of which in years of arrears, even of great arrears in the balance of payment, interest and if necessary redemption, can be met, without an abnormally high extra charge on these duties, and so without great injustice to those who would be hit by such a levy.

So with a rise or a fall in the National Wealth, the extent of the

"equalization fund" will have to rise or fall too. But if in the meantime, a reserve fund has been formed, the equalization fund could probably be maintained for the time being at the original figure, with a fall in the National Wealth.

For states with assets or a balance of payment which is practically in equilibrium, the equalization bonds are either a source of modest revenue or a matter of subordinate importance, even more a theoretical question than anything else.

The rate of interest on such bonds can, of course, be kept very low; for instance 2 or $2\frac{1}{2}$ %. Every year 2 % can be drawn under international supervision. The equalization bonds drawn, could be immediately exchanged for others, so that the sum total of credit to be granted remains the same.

Simplification.

And so it would be possible to simplify this system, and to drop the whole redemption. The national wealth would then become the measure of value of the credit that may be granted to a state whose credit, as already said, will be fixed at a certain percentage of the national wealth, which percentage will be fixed later on.

The equalization bonds would then be simply interest bearing papers, the exchange of which in the event of lack of equalization in the balances of payment would be more an act of psychological than of economic significance, with the purpose of still further stimulating the effort to bring about a state of equilibrium in the balance of payment.

There will, as a matter of fact, be sufficient cover for the "equalization bonds" issued, if the "cash surplus" at the branch of the Clearing Institute of a country with an unfavourable paying balance, were to be deposited in the fund already mentioned. We will return to this later, in the following chapter.

The National Wealth could then only go on functioning as an extra security, in the manner already mentioned, but, practically speaking, through this the extra levy on the deathduties will drop out.

The equalization bonds as projected here, will maintain their value in times of war too, because, in the future, with correct management, it will not be necessary for the National Wealth, even in such times to be lost.

EQUALIZATION FUND

Here, we naturally aim at a correct settlement of any war debts incurred, but we will immediately add, that, with *correct* economic management in the future, war will be a thing of the past.

Commodity-credit on long terms may never be granted to such an extent that by doing so the whole holding in equalization bonds would be involved. For there will always have to be a reserve for equalizing the balance of payment of such a country.

* * *

We repeat once more, that "equalization bonds", which have their basis and their cover in the National Wealth, represent "labour formerly performed", be it, as we have already written, "labour mostly performed in one's own country or in one's own colonies." But, because they represent "labour formerly performed", they may only be utilized *temporarily* for the equalization of the balance of payment, while the definitive balancing of the balance will have to be accomplished by the raising of the export of the country concerned, which means, that *more* newly performed labour will have to be exported by this country, in the form of products or of services rendered.

It will probably be wise to pay good attention to this plan, and by so doing to break away from the ideas so far prevalent, and the ways, hitherto followed.

THE MULTILATERAL CLEARING INSTITUTE AND THE EQUALIZATION FUND

In the Anglo American plan there is talk of a large stabilization fund,¹⁾ originally to the amount of 8 milliard dollars, later on, the amount was changed to 10 milliard, to which each participating country will contribute a share.

But, here, I should again like to draw attention to the above described system, which, in my opinion, is much more simple, and even makes any deposit at all, superfluous.

For the Multilateral Clearing Institute, as aimed at by me — and also by Prof. Keynes — *does not require any money*. But the branches which will be established in each country, do.

For these require ready money, and then in the currency of the country itself, for the purpose of financing the export, while, of course, the import will be paid for by the importer, in money.

And so it will be desirable to make this branch of the Clearing Institute a sub-department of the bank of issue, so that the latter will be able to furnish the necessary cash. We shall return to this again, shortly.

Now the balance of *all* transactions passing through each branch of the clearing institute, will, for instance, — if the balance is an unfavourable one — be paid over once a month by each branch, to the Multilateral Clearing Institute, and that, in the form of

equalization-bonds

of the country concerned.

For the sake of simplicity the best thing will be, for these bonds to be issued in every country in the international currency, that is to say, in the "Pax" as projected here.

It goes without saying, that this will be the case, if there should

¹⁾ I have used the term "Equalization Fund", which I consider a more correct qualification in this case.

THE CLEARING INSTITUTE AND THE EQUALIZATION FUND

come into being an international unit currency which is *at the same time* the national currency.

If a country has, in total, a favourable balance, it receives, once a month, from the Clearing Institute, that amount in equalization bonds, and, then, those which have been paid by countries with unfavourable balances.

So practice will show, that with the branch of the Clearing Institute an increase in cash will always be accompanied by the remittance of the same amount in equalization bonds to the Multilateral Clearing Institute, whereas a decrease in cash at the branch of the Clearing Institute will always be accompanied by the receipt of such bonds to an equivalent value.

Example. (with simple figures).

A country exports, in the course of a month, to the value of 1 million pax, so.... the branch of the Clearing Institute of the country concerned must pay to the exporter 1 million pax out of its *cash*.

The same country imports, during the same period, to the value of half a million pax, and then receives from the importers half a million pax. (The rendering of services has not been taken into consideration in this case).

So that, at the end of the month, half a million pax has been paid out of the cash of the branch, more than has been received.

Of course, at the same time, there is at that branch a favourable clearing balance of half a million pax, so that that branch has to receive from the Multilateral Clearing Institute equalization bonds to the value of half a million pax, and receives it too. And so the cash deficit and the bonds received cover each other.

The same thing occurs, but in the reverse form, in the case of an import surplus.

The cash surplus which arises in this way, is deposited in the "fund" already mentioned, as cover for the "equalization bonds" to be issued. And also the claims on importers for supplies delivered from abroad on credit, ought to be added to that fund.

As to the cash that the bank of issue will place at the disposal of the branch of the Clearing Institute, this will not be necessary if there is an import balance, because the branch will, in that case, have at its disposal sufficient cash, which it will have received from the

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importers. If there is an export balance, the bank of issue could grant an advance on the claims on foreign countries, or on the equalization bonds to be received.

The transfer of "equalization bonds" by the Clearing Institute to the branch of countries with a favourable Clearing balance, can be omitted. These can just as well remain in portfolio at the Clearing Institute, in the name of the branches concerned. It is only in case of clearing arrears, that the country concerned *must* send equalization bonds to an equivalent value to the Clearing Institute.

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(*Capital-export*).

In the chapter on "Valuta Stabilization" we have already written:

- a) The Purchasing-power which during the process of production and distribution is created for exactly the same value as the value of the goods produced, will only be permitted to be used for home use — the international economic traffic in future being based exclusively on the exchange of goods, or the rendering of services.
- b) Capital export, that is, export of "purchasing-power" destined for home use, is pernicious. Capital for which there is no use at home indicates economic mismanagement, and this need not occur in the future, with good economic management.
- c) Colonies and dominions, however, will be considered as belonging to the mother country.

If the reader carefully considers the points sub a-c, it will be clear to him that capital export is pernicious.

For if, in future, we distribute the purchasing-power created during the process of production and distribution in the *correct* manner, as already described, there will not be "unutilized" purchasing-power, and so there will be no "purchasing-power" available for exportation.

Should we do so all the same, the logical consequence is, that there must be products for which there are no buyers, because there is not sufficient purchasing-power.

This, of course, would lead to an economic disturbance, which, naturally, may not be permitted.

As we already know, we do not need any "purchasing-power" for import and export, for, in the future, that will all pass through the

clearing institute, and, as aimed at, for "equal value". At least, a serious effort must be made to bring this about.¹⁾

That capital export, and so the export of purchasing-power is wrong, will be all the clearer to the reader, when he remembers, that, if the process of production and distribution is to function well, whenever a certain product has been sold, a new one must be produced in its place.

Very well, then the "purchasing-power" created during the production and distribution of the former product, which has been sold in the meantime, will be necessary in order to be able to manufacture and distribute the following product, and so enable it to reach its ultimate buyer.²⁾

And so the purchasing-power created by the home production and distributing process ought to be reserved *entirely* for home use.

If money is loaned to foreign countries, that simply means that this "purchasing-power" is withdrawn from the home country, in order to place it at the disposal of other countries, who would even be at liberty to utilize this "purchasing-power" in other countries.

In this way the economic equilibrium in the home country is disturbed, which, if it should happen on a large scale, might have a very bad effect on the economic organism, and consequently have very unfavourable consequences, as has already undoubtedly happened many times. And so an end will have to be put to the loaning of money, unless with the stipulation *that these moneys (purchasing-power) may only be used for purchases in the creditor country. But* that would mean the supplying of goods on long credit.

There is not the slightest objection to the latter, provided the debtor country may pay for these goods, or the redemption of the credit granted as well as any interest, also in natura, or by the rendering of services.

The exportation of goods is more advantageous than the receipt of interest.

And so the lending of money to foreign countries as it has hitherto taken place, is wrong. It is even doubly wrong if the export to the

¹⁾ And so, payments by the Clearing Institute will be made with moneys received from the importers. At least, so far as possible,

²⁾ We have already said, that there is a reserve of purchasing-power in every country, to create and maintain supplies.

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debtor country suffers from it, as was the case with the export from the Netherlands to Germany before the war.

Well then, the receipt of the redemption money and the interest may be very agreeable of itself, but the exporting of goods is much more important from an economic point of view, because this causes *more* money to circulate, brings about an increased turnover in the concerns, with all the favourable consequences attached to it, such as reduction of the pressure of the overhead expenses per production unit, and also a rise in the profits, and, moreover, it supplies work for the unemployed, of whom there were then large numbers.

For did not the money derived from redemption and interest come into the pockets of the few who, even then, had large sums lying at the bank yielding no interest and of no use to anyone, just as before the war 1200 million guilders lay useless in the vaults of the Netherlands Bank. All that is unitilized purchasing-power, it interferes with the circulation of money and increases unemployment.

Consequently this manner of lending money is wrong, and so we can safely say, that the disadvantages for the production process in a country which as a result of lending money to foreign countries can export less, are greater than the advantages attached to the drawing of interest and the receipt of money in redemption, so that, properly considered, in that way a creditor country pays that interest and redemption to a great extent itself.¹⁾

Capital export lessens the possibility of export.

Since as already demonstrated, now the war is over, international economic traffic will have to be exclusively based on exchange of goods — goods and services —, since, moreover, a well-balanced balance of payments will be an urgent requirement, it is easy to understand, that *every* "capital export" which is followed by payment of interest and redemption, signifies for the creditor country a reduced possibility of export of goods to that country, and, as already stated, the disadvantages attached to this are considerably greater than the advantages attached to the receipt of money from abroad.

That exportation of money ("purchasing-power") has been practised in the 19th century and in this century too up to the war to a

¹⁾ I have already drawn attention to this in my newspaper-article, on 10 March 1940, under the title "Public loans".

very great extent, and the amounts were sometimes fabulous. We shall immediately give some data with respect to it.

But "high finance" practised that exportation of the purchasing-power intended for the home country, at the same time that in the capitals where the financial centers have formed, such as New York, Berlin, London, and Amsterdam too, there was still the greatest poverty and misery in wide circles.

From whom that "purchasing-power" was withheld.

In the 19th century and also even in our century, in the slums of those capitals were crying abuses. Just look at the books of Charles Dickens on this subject, or at books written about the life and reign of Queen Victoria.

The abuses in working-class circles described in them, cry to heaven. Reports of enquiries held in those times, i. a. by prominent figures in the socialist movement, such as Engels and Marx, put things very plainly. In our century too, those great human tragedies under the bridges of the Seine in Paris, in the slums of London and New York and numerous other capitals, are known all too well. Even the mass unemployment resulting from the world crisis, which lasted for years after 1929, is a blot on our century; 15-20 million unemployed were doomed by it to demoralizing idleness, and also pauperism.

All that would not have been necessary, if all this money, the "purchasing-power" which had been created during the process of production and distribution, and which had been exported by millions at a time, had been distributed in a better way among all ranks of society, in other words, if the standard of living of the masses had been considerably improved, and by it all this poverty and deep human misery had been prevented.

We shall now cite a few data about that capital export, from which it will clearly appear, how, in high financial circles, they play ducks and drakes with our good, sound "purchasing-power".

What do the managements of banking houses who organize all this, care? They receive that money — that purchasing-power — from those who, at a certain moment, have it at their disposal, small savers, capitalists, industrialists, etc. and they export it. Whether, later on, the interest and redemption will be paid, is of secondary importance. The most important thing is that *they* have earned their commission

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as intermediaries. Although this did not take place without the foreknowledge and approval of the investor, what does he know about such things? He generally acts on advice received.¹⁾

Have not we, even in our own country, had a very clear proof of this, when, just before this war, a Dutch banker, or a group of bankers, wanted to lend money to Germany again, after all the wretched and costly experiences which the Dutch investing public had gained with the money lent to Germany shortly after the previous war?

Some data.²⁾

As far as our own country is concerned:

Our country, already before the previous world war, lent 1 milliard to Russia; we know that every cent of that money was lost. After the war, we lent, at a high rate of interest, about 0,9 milliard to Germany on long credit, and also a very large sum on short credit. How the settlement took place, our capitalists will still remember very clearly.

Before that war, France lost a good 35 milliard gold francs through its foreign investments — chiefly in Russia; Germany lost about 20 milliard gold Marks. About 1937, England had invested some £ 3¹/₃ milliard in overseas dominions, but, on the whole, was luckier than the two powers mentioned before.

* * *

In China, about 400 million pound sterling in all was invested by various powers i.a. the U.S.A., Japan, France, and England. It is true that up to this war, China was a very respectable creditor, but what will become of those debts after this war, which is also being waged on Chinese soil?

¹⁾ Shortly after the commencement of the world crisis the American senator Glass spoke the following words:

„With insatiable greed the great banks, through their subsidiary companies and their selling apparatuses, working at high pressure, have sold to the public looking for investments, millions of securities, which at the present moment are practically worthless.”

²⁾ Some of these data were kindly supplied to me by one of our banking houses. Another part is taken from "Wending der Wereldhuishouding" by Ferdinand Fried, a work which was published recently. For these data, the writer in his turn has made use of English and American sources, i.a. "The Economist" London, and from data supplied by Sir Robert Kindersley.

In all, about 9 milliard dollars was invested in South America. The U.S.A. and England supplied the greater part of this. France, Belgium, The Netherlands, Switzerland and Germany also contributed.

We know all too well, how much of that money too has been lost, and what has generally happened with respect to the payment of interest.

Shortly *before* the war, the American claim on South America was quoted at 28,2%, and the payment of interest was 70% in arrears.

Owing to this second world war, the payment of that debt by the South American States is proceeding considerably better. But these are abnormal circumstances, and, may not be taken into account.

So far with respect to the data.

* * *

So the reader sees what wonderful things are done with the savings of the little man, and also with the great capitals of the nations, but above all, to what an extent, through the centuries, sound purchasing-power has been withdrawn from the communities of the nations, and in this way destroyed.

Is it to be wondered at, that periodically there were crises, that great misery and poverty, even the most poignant conditions, prevailed in the lowest ranks of our society? The purchasing-power to give these poor wretches a better standard of living and an existence worthy of a human being was simply being sent out of the country, and wasted elsewhere.

The reader will probably ask, how is it possible, if such tremendous quantities of purchasing-power were exported, that the dislocation was not much more serious? The answer to that question is fairly simple and is:

Because, in the world of high finance, very many serious mistakes were made simultaneously, mistakes which, — wonderfully enough — cancelled each other in many cases, in other cases covered each other.

For the sources of gold, which a few nations have at their disposal, supply great quantities of gold every year, and, so too, every year, great quantities of new "purchasing-power", which is represented in that gold. That gold, and so all the purchasing-power represented in that gold, was, and is, as already demonstrated, entirely superfluous, and consequently, from an economic standpoint, disturbing.

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The more so, because all the gold of centuries ago still came on to the market from time to time.

Against that superfluous "purchasing-power", that "gold", now stood the export of "purchasing-power" in the form of "capital export". As this generally amounts to destruction of capital as practice has all too often shown, the one error cancelled the other, for that "purchasing-power" destroyed by capital export was made good by digging new gold every year.

And yet both are errors, and a well organized society, such as we shall have to build up after this war, may not be based on two very serious errors, which happen to cover each other, or to neutralize each other's harmful influence.

The report given below, taken from one of the dailies, indicates the correct manner: (Alg. Handelsblad 18 Mei 1943).

"Capital export or home financing."

The proposals coming from England and the United States with reference to the solution of the valuta problem after the war, have aroused great interest in Switzerland as traditional capital export country. In contrast with those small states which are expecting new credits from the allied nations after the war, the question is asked in Switzerland whether, after the war, further interest shall be taken in the international credit market or whether the surplus of capital shall be used for the financing of home industrial life, which would certainly be raised to a higher level, in this way.

Switzerland has already lost considerable sums in consequence of the fact that it was either involved in the many crises from which international credit has had to suffer, or it has got into other difficulties owing to a blocking of the capital placed abroad.

Consequently there is a consensus of opinion in Switzerland that a change must be effected which will make the repayment of credits granted possible, in the form of the supplying of commodities. All the same there are still objections to the granting of credits to foreign countries under those circumstances too, and the "Neue Zürcher Zeitung" is of the opinion that it would be better to finance the home industry, in order to give it still greater possibilities for placing Swiss commodities on the home and on the foreign markets. A redemption of foreign loans in the form of foreign commodities will be more a hindrance than

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an advantage to the home industry, so that the question ought to be considered whether the Swiss capital policy should not undergo a change."

A better and a prosperous world can only be constructed by observing the following stringent, but at the same time simple principles:

- a) Full production with the entire production apparatus.
- b) By so doing sufficient purchasing-power will be created to enable every product to reach its ultimate destination.
- c) Sound distribution of the newly created purchasing-power. (Plan B).
- d) Regulation, if necessary also the "shortening" of the life of some of the principal products. (Houses, ships, machines, motor cars). (Plan A).
- e) The production machine adapts itself to the demand.
- f) The economic world traffic only on the basis of "exchange" of commodities, or on the mutual rendering of services.¹⁾
- g) No capital export. (Consequently no loans to foreign countries).
- h) Supplying of commodities to foreign countries on credit; provided the debtor country may pay any interest, and redemption in goods or in services.
- i) This granting of credit not to exceed the maximum amount of the equalization fund which may be formed by every country. (See "Solvency of States").
- j) All international transactions to be effected via the Multilateral Clearing Institute.
- k) No "gold" — no fluctuations in rates of exchange.
- l) In cases of a disturbed equilibrium of the balance of payments, exchange of equalization bonds via the Multilateral Clearing Institute.

¹⁾ Tourist traffic falls under this heading.

²⁾ Each country should remain below the maximum, because there must still be a certain reserve for eventual equalizing of the paying balance.

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m) If necessary:

The stimulation of the export of the country in arrears, if desired, under the guidance of the Federal Government, with the assistance of the commercial organs available for that purpose.

In this way, and in no other way, will it be possible to bring recovery and lasting prosperity to our future world.

If there is a desire to continue to follow the old paths — very well! — but then preparation must be made for a new catastrophe in the future.

* * *

The opening up of new territories.

The opening up of new territories and the support of young states is chiefly a matter of "donation", as I shall show further on.

It may be disguised as delicately as possible, as has been the case hitherto, in the form of long loans, in practice it is, in most cases, the same as "giving". And that is quite logical, and so ought to be looked upon as the cost which precedes the profits.

To see that under certain circumstances this can also be of use, just read what I have written in the chapter entitled "Plan C". (See part III).

But if one wishes to make a present, never let it be money, that is to say "purchasing-power", but always "products". The raw materials necessary for the products cost nothing, it is only labour which is supplied. The manufacture of such products intended for "donation", brings in itself much advantage in the form of circulation of money, increase in turnover with its favourable results, and work for unemployed, if there should be any, advantages which compensate to a great extent the ultimate "gift" of the finished product.

It is much better to face this clearly, and to follow the "chivalrous" path, in other words, to call these transactions by their real names from the very beginning, than to deceive the public under the guise of loans granted to a foreign country, while often one can know beforehand that such moneys are entirely, or for the greater part, lost.

The more so as the export of money, and so of "purchasing-power", as such, is not permissible.

England's export of money!

My attention was drawn to C. K. Hobson's book "The Export of Capital" published in 1914.

I found in it a very interesting table giving the revenues of England from foreign sources, covering the years 1870 up to and including 1912, together with the export of capital.

From this it appears, that in those years England had revenues from abroad averaging 87,9 million pounds sterling, which represented just as much "purchasing-power" coming into the country. For the same period the amount of capital exported averaged 55,2 million pounds sterling a year, and so an export of "purchasing-power" for the same amount. This gave an average balance of 32,7 million pounds a year.

My thesis confirmed.

I consider the data supplied by Hobson very important, the more so as they confirm my thesis.

It appears from these figures, that England, after all, had a balance from foreign sources of £ 32,7 million yearly on an average, and a considerable portion of this will undoubtedly have been put into circulation in England — not all of it, naturally, because in those years too with the capitalists, there will have been an accumulation of capital and so of purchasing-power and consequently of *unutilized* capital too. But it is not to be doubted that in that way, those foreign sources were of use to England and her people — and so to the working classes too — in those years.

What part of that exported £ 52,2 millions was used for the exploitation of the British Colonies (which, as already stated, ought to be counted as belonging to the mother country), and what portion of the imported £ 87,9 million had its origin in profits from those colonies, is not mentioned.

But certainly a great deal of those exported and imported moneys will be concerned with other parts of the world, not belonging to the British Empire.

This brings us to the heart of the problem, for it cannot be doubted

¹⁾ I could not find in Hobson, how much of that exported capital has been lost, and so it could not be taken into account.

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that the opening up of new territories, the helping in the development of young or of old states which are yet but little developed, and whose riches have been little exploited, is of great importance to the other countries, and especially for industrial countries, because this, too, again provides work for the production machine, and so work for the workers.

But neither is it to be doubted, that, if those £ 55.2 million which were exported, had been distributed every year among the ranks of the population with the least "purchasing-power", for instance, by raising the wages of the workmen,¹⁾ and, by so doing, raising their standard of living too, this would have given rise to a considerably greater circulation of money within the borders of England itself, than this balance of £ 32.7 million, (less what remained unutilized) has done.

That circulation, and so that difference too, becomes so much greater, when one remembers that such an amount of £ 55.2 million could have circulated many times a year, by which the "purchasing-power", and also the national revenue, would have been increased, just as many times.

This does not hold good for the imported £ 32.7 million for the capitalists who received their share of it, will probably have required the whole year to spend it, and then, as already demonstrated, probably only a portion of it.

By that method, it would have been possible at the same time to put an end to those awful, humiliating conditions of poverty and intense human suffering, about which we have already written, such as prevailed just in those years 1870 up to the last war.²⁾

As to the capitalists themselves, who, after all, supplied most of the money destined for export, they would really not have been worse off, if their money had circulated at home in the way mentioned above, because, in the form of profit from the home industrial life they would have earned *at least* the same amount as if that £ 55.2 million had been exported. Probably their share in the advantages to be yielded along that line would have been considerably greater, for all favourable factors co-operated to that end, as we know, with increase of turnover and multiplicity of circulation of money.

¹⁾ By remunerating their "labour" better.

²⁾ Here we leave the state of affairs there after this war out of consideration for the present.

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We shall not weary the reader with an extensive calculation to show him that such an amount of £ 52,2 million in those years 1870-1912 by better distribution *might* easily have circulated many times in the English community, and so could have exercised its beneficial influence.

Conflicting interests.

However, in the meantime, here we see clearly the great conflict of interests. On the one side, the necessity of opening out new territories for exploitation, and helping young states to develop — we have already considered the colonies and dominions as belonging to the mother country — but against these two interests is the undeniable fact, that export of money is a withdrawal of "purchasing-power" from the home country, which retards all economic development there, and, moreover, as facts have all too clearly proved so far, allow the continuance of disgraceful conditions of poverty and want among the lower classes of the population, which might be avoided by letting that exported money circulate intensively at home which, as already demonstrated, would increase the purchasing-power of the masses, and so raise the standard of living of the working classes.

Consequently in the future we shall have to remove all those difficulties, and, as it were, apply methods by which both "the cabbage and the goat" are spared.

We shall return to this very important matter very soon.

Once more, opening up of territory.

Fully acknowledging the utility for each country of creating new outlets and opening sources of raw materials, the problem naturally remains, *how* to open up and finance those young territories and those new sources of raw materials without doing so at the cost of the home prosperity, in other words, without these being bought with the poverty of the lower ranks of the population, and without the dislocation of the home economic life.

We have written this somewhere else, and shall only return to it briefly, by once more pointing out that *the export of goods on credit* always remains possible, while the opening up of new territories should be looked upon as the "costs" which precede the "profits", that is, as a "present" which will yield its advantages only later on.

FOREIGN LOANS.

A world bank.

In the meantime the following item of news appeared in the Dutch press (Telegraaf 9 October 1943):

Plans with reference to a world bank.

The American Treasury has announced that its financial experts have laid down the lines for a bank of the United Nations, with a capital of \$ 10 milliard, which bank must contribute to the financing of reconstruction and development after the war.

In connection with this communication, Harry White stated that every country must supply its share in the capital of the bank in accordance with a formula specially for that purpose. This formula has not yet been established. This world bank should grant credit wherever it might prove to be necessary, but it would ask certain guaranties for that, and would stipulate its conditions. But before credit would be granted by the world bank, all private possibilities of credit would have to be exhausted. Further, a qualified committee will have to recommend the granting of credit, after carefully studying the conditions of the credit. The credit to be granted must, directly or indirectly, raise the standard of living in the country receiving the credit. The interest for the credit may not be more than 3%, while a reasonable scheme for the repayment must be drawn up. Previously, however, inquiries ought to be made as to whether the bank cannot act as guarantor for credits to be granted by private investors. In the third case, the interest may not be higher than 4 %, while the guaranty may not amount to more than 80% of the capital. So far, the newspaper report.

* * *

Well, however I look at this question of capital export, I can only maintain my opinion, that purchasing-power created in the process of production and distribution ought to be reserved for *home* use, and so may *not* be exported, and even cannot be exported without

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dislocating the economic organism. I will repeat: in this matter colonies and dominions are to be looked upon as belonging to the mother country.

Further: we must abstain from the "superfluous" purchasing-power of "gold", while I also maintain my opinion that: "Capital, for which there is no employment at home, points to economic mismanagement".

That is why I hail the institution of an international bank for the financing of foreign requirements of credit, especially of territories which should be opened up or further developed, provided this bank is annexed to the Federal Government Machine and so comes to stand under the supreme management of the Federal Board.

How such a bank will have to acquire the necessary means is another question.

If my assertion is correct, that in the future every country producing according to modern methods — by full application of this "New World-Economy" — will be able to create within its own borders such prosperity, that all the purchasing-power created there will find employment, while international economic traffic will be based on "exchange of goods" and the rendering of services, only to be settled via the Clearing Institute, then there will be no other money (purchasing-power) available for that bank than that, which soon will prove to be superfluous in each country, as a result of the mistakes made in the period, which closed with the ending of the war.

To this money belongs i.a. part of the "floating" purchasing-power which still exists in most countries, but not the gold, that ought to remain eliminated.

Well then, if every country would pass over that superfluous money to the international bank, that is at least a beginning, and, moreover, in that way we should get a healthier financial situation in every country.

Now this could take place in the following way:

When, after some time, economic life has somewhat recovered again, an attempt will have to be made to arrive at an estimate of how much liquid purchasing-power is then still superfluous, after which every country — of course the investors of every country — would be able to participate in the capital of such an international bank.

FOREIGN LOANS.

Another possible way is this:

Each country could itself establish a bank for the export of capital, and try to collect all the superfluous purchasing-power there by issuing shares, and in this way advance foreign interests.

All these national banks could have as Central bank the Multilateral Clearing Institute, which could form a subsidiary enterprise, the so called "World Creditbank".

Perhaps it will not be so difficult.

It is possible, that, in the future, it will after all appear, that even if there should be a period of lasting boom in the various countries, it will be still possible, without damaging the economic system, to proceed to the "tapping" of purchasing-power to a certain extent, in order to supply this to the World Creditbank above described, or else, to furnish such "purchasing-power" — such money — to foreign countries as credit through the medium of national banks.

But again: such a thing may only take place, if all demand for credit (purchasing-power) at home has been satisfied, and moreover, on condition, that all this will not be a hindrance to the export of goods from the home country, against which, in the beginning of this chapter, I have given a warning.

HOME CREDIT

Just because in our future economic life the following factors:

- a) that each product creates its own value in purchasing-power;
- b) that during the process of production and distribution sufficient purchasing-power is created to bring every product to its ultimate destination;
- c) that there will be no further capital — (purchasing-power) — export and consequently; (except as described in the former chapter)
- d) that the “purchasing-power” created in the home production and distribution process will always be destined for “home-use” —

will be of such dominant importance, it is desirable to devote a few pages to “home credit”, and especially to the question, whether by granting credit the *quantity* of available “purchasing-power” is influenced.

This question can now be answered in the negative, at any rate if the granting of credit occurs in the usual, and so the correct manner.

Let us just take an example.

A shopkeeper buys commodities to the value of £ 100 and is granted by his supplier, the wholesaler, a certain credit. But that shopkeeper, in his turn, supplies the commodities he has in stock on credit to *his* customers.¹⁾ The wholesaler in his turn has also been granted this credit by the manufacturer who supplied him with the commodities, and the possibility is very great, that the manufacturer in his turn, works with the credit which has been granted by the bank.

Now the bank can only give the manufacturer that credit, if the bank itself has sufficient deposits at its disposal, in other words, has many “creditors”, from whose deposits it can lend moneys, “purchasing-power”, again to borrowers (debtors) on certain conditions, at interest.

¹⁾ If for instance it is a grocer, to his customers who pay weekly or monthly.

HOME CREDIT

And so, properly speaking, the credit granted by the shopkeeper to his customers is the same credit that the bank has granted to the manufacturer. In other words, the credit granted by the shopkeeper to his customers represents just as much "purchasing-power", and that is, properly speaking, the same "purchasing-power" which those who have deposited money with the bank, have supplied to the bank.

Now if the shopkeeper allows more credit to his customers than his suppliers allow him, he gives part of his own "purchasing-power" to his customers in the form of credit.

But if he is granted more credit by his supplier than what he grants, then he gives part of the "purchasing-power" which is the property of the wholesaler to his (the shopkeeper's) customers, in the form of credit.

But in all those cases there is no question of increasing the total "purchasing-power", for there has only been a shifting of purchasing-power.

It is true that in this way the available purchasing-power is better utilized. For if that credit had not been granted, those deposits at the bank, belonging to one of the creditors of the bank, would probably have remained unutilized.

Danger attached to credit.

The danger attached to the whole system of credit lies of course, in times of a sudden fall in prices — of a crisis and panic, especially when, as a consequence, much of that credit is suddenly stopped, and so withdrawn.

The debtor is not always in a position to repay such money at once. Such credit is then said to be "frozen", and often bankruptcy is the result of it. That means, of course, loss of money, and consequently loss of "purchasing-power" too.

Now when a supplier supplies on credit, and makes his debtor sign a draft, such a draft has a value and is even looked upon as money.

For with such a draft one can go to the bank, and, if the debtor has a good name there, the bank will discount the draft, that is to say, will pay nearly the full amount for it.

But then the bank becomes the holder of the draft (that promi-

¹) To the owners of the "values".

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sory note) and has only been able to pay that money — that “purchasing-power” — out of the available “purchasing-power” of its creditors.¹⁾

At maturity the bank goes to the signatory — the drawer, and at the same time the debtor — with the draft, and if everything goes normally, the latter honours the draft out of his available “purchasing-power”. So the purchasing-power comes back to the original advancer of the purchasing-power, via the bank.

And so we see that the whole system of credit is not an increasing of purchasing-power, but a much better utilizing of purchasing-power.

¹⁾ In this connection it may be observed that bankers, when granting credits, in the first place use their own means.

THE STOCK EXCHANGE AND
CRISIS

In the chapter "Prevention of crisis and mass unemployment" the reader will have found given as cause for the existence of crisis, a disturbed balance between the production and absorption of products.

But, many readers will have wanted to observe: crises often begin on the stock exchange, in shares and money transactions

Reader, that may be perfectly right, but that does not alter the fact, that the deeper cause, and with it the origin of the crisis, is generally to be looked for in the disturbed balance mentioned.¹⁾

But it is true, that it is generally on the stock exchange where the débâcle begins.

Immediately after a crisis there is always a time, (sometimes it even lasts some years) of listlessness in the economic life, consequently in transactions in shares, in money and in commodities. Then gradually comes a revival. This revival gains more and more in impetus and then comes a keen desire to buy. The spirit of enterprise again begins to revive, and in the industrial world we see extensions and expansion of works. New machines are bought and so we enter upon a new period of boom.

But *then* the stock exchange again begins to have a say in things. Prices of securities rise, and there is a keen demand for money. In all that there is no harm till the optimism on the exchange becomes too great, buyers and sellers of securities are seized with the mania for speculation, and the one forces the other up to a price-level which is not justified by the profits to be expected from industrial and commercial enterprises.

But this new building, and the extension of the production machine is not always to be accounted for.

¹⁾ There have also been crises in which speculative manipulations with gold or silver have led to the crisis, and also the injudicious granting of credit to foreign countries (i.e. the Barng crisis), but most crises have originated in the aforementioned disturbed balance.

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If, after a certain period of boom it now appears, that the capacity of absorption has been over estimated, and so, that the rapid speeding up of the production has not been justified, at least that too rapid speeding up was not accompanied by increasing turnover, then follows a certain surfeit of products, which, of course, may go on.

Doubt and suspicion.

Then comes the moment of doubt and suspicion. *That* begins on the stock exchange. It is possible, that the suspicion at such a moment comes from the high prices, resulting from a level of prices which had been driven up too quickly and too high, taking into consideration the profit to be expected on the shares. It is also possible that such suspicion is the result of the fact, that in the meantime it has been established, that increasing stocks of commodities point to a newly disturbed balance between the too quickly speeded up production, and the absorption of products. We do not always know what the cause is, after all, that will be different for each crisis.

However, it is certain, that that doubt and that suspicion cause a moment's stagnation in the rising of the prices of securities.

If that suspicion is of a serious nature, and that, as shown by the statistics of the moment, the peak in the absorption of products has been reached, while, in spite of that, the production apparatus is still turning out more, then a sudden fall may set in. Such a fall *can* be catastrophic. I do not hesitate to state, that such catastrophes are often unnecessary, if everyone would soberly take into consideration the real position in the production and consumption process, at such a moment.

Such catastrophes have their common origin in factors which are for the greater part psychological. A panic arises in which one carries another with him. This is immediately followed by a strike on the part of the buyers. Then the fat is in the fire. For every strike of buyers is a death blow to economic life.

Then prices crash, we have the crisis in full swing.

The prices of stocks and shares have immediately fallen by leaps and bounds. Short-credits are cancelled, but often cannot be settled, and are then frozen, so that unless a moratorium is declared, or a temporary closure of the exchanges, failures will immediately follow,

STOCK EXCHANGE AND CRISIS.

in which one involves an other. In commerce and industry there immediately follows a serious stagnation, members of staffs are dismissed, and very often payments by debtors begin to come in slowly.

Such a crisis can spread over the world like a conflagration and do so within a few days, the consequences of which no one, of course, can foresee.

How will that all be in the future?

How will all that be in the future?, Why, we have already written, that in the future there need be neither lack of the possibility of production, nor disturbance of the balance between the production and absorption of commodities.

For as soon as a state of boom has been reached, naturally an end will be made of the demolishing of fully amortized houses, ships, machines, and motor cars¹⁾ in order to make a certain reserve of them, while the annual depreciation will continue.

This reserve can be called upon at the first symptoms of an approaching crisis.

It is not correct to suppose, that at *such* moments there will be little inclination to buy new machines, or to have new ships or new houses built, in the first place, because, in the future, it will be possible to avoid disastrous crises, and, in the second place, because we know that any beginning of a crisis can be suppressed immediately and firmly by putting into application "Quo Vadis?" plan A to its *full* extent.

The fact that those reserves of houses, ships, machines and motor-cars which are already old and fully amortized can immediately be called upon, will, for the greater part, neutralize the psychological influences which are felt in such catastrophes, so strongly

But it must especially be remembered, that those who give commissions for the building of new houses, and new ships and the making of new machines, will receive the money with which they have to pay for the new houses, ships, machines, gratis from the "General amortization fund", in which have accumulated those moneys received from the annual deposits of years.

So, if those concerned do not build, they will *not* receive these

¹⁾ We assume that the law which makes annual depreciation obligatory, has in the meantime been put into force.

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moneys. Then why should they neglect to have that building or manufacturing done, if they receive the money for that purpose *from that fund*? Indeed, everything is finished by the time that the new period of boom begins.

There will always be an abundant demand for houses, certainly with an annual increase of the population. If the old ones are demolished, new ones *must* be built.

To refer once more to this fund; the fact that money has been derived from it in the form of loans, in such a way as has already been shown to be possible, does not affect anything that has been written here, because it will not be possible for that loaning of money ever to go so far, that it will be impossible for payments to be made out of that fund for "future" restorations.

Causes of a psychological nature.

So, generally, at most 25% of the cause of a crisis can be attributed to factors of an economic nature, dislocation of some balance or other — but certainly 75% of the cause of a crisis — at least, certainly if it assumes a very serious form — can be put down to psychological factors.

For no one will believe for a moment that on the day, or in the period, *following* the "stock exchange panic" the possibility of the absorption of products need have been the least smaller, than on the day before that panic, but it is the state of panic and the total strike of buyers, consequent to it, which causes the absorption of products to come to an abrupt end.

And so it is principally the factors of a psychological nature which, in the future, we must manage to eliminate entirely, or, at least for the greater part.

For the state of panic in the beginning of a crisis is greatly the result of what has been repeatedly experienced in previous panics, that once the fences are down, there are no retarding factors to prevent such a crash in prices.

There is no longer any certainty, for people know, that, for the time being, there will be no adequate absorption of products and consequently, no possibility of production either.

But also this will all be different in the future for the entire reserve of fully amortized houses, ships, machines, motor-cars, can imme-

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diately be called upon, so that this will yield an abundance of production-possibility, and consequently, of work too. At the same time, the creation of purchasing-power too, will continue abundantly, so that it will also be possible for those products to be bought in abundance, which have no immediate connection with the building of houses, ships, machines and motor-cars.

Now *that*, of course, will be the best support at the moment that the first symptoms of an economic crisis again make themselves felt. But there are still other factors that can have a preventative effect.

Better division of purchasing-power.

We know, for instance, that, in the future, the purchasing-power which is so abundantly created in the process of production and distribution will be better distributed. Since, as already demonstrated, this will have to take place in the form of a "Welfare Bonus", the profits earned in commerce and industry will be better distributed by acting in this way, although it should be acknowledged, that it is just this better distribution of profits which will ultimately lead to a further growth in the total profits to be made.

But since *those* higher profits, too, will also be distributed in wider circles, and so, generally speaking, in future the dividends will be somewhat lower than formally, this will prevent a too rapid rise in the prices of shares. Rises in prices on the stock exchanges will then proceed at a more moderate rate, and that too will help to prevent crisis and panic.

Even the whole picture, as hitherto presented by the stock exchange, will be quite changed.

More moderate waves of boom and depression.

If the periodically returning crises caused from time to time panic falls in the prices of securities, sooner or later again followed first by a normal and thus sound rise, afterwards to be followed by an abnormally strong, and so unsound rise in the prices, a rise which already masks the germs of a new panic and crisis, in future the waves of boom and depression in the process of production, which generally caused such movements in prices, will be considerably weaker, and consequently the chance of an unsound development in

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prices and securities will be considerably less, too.

Weaker¹⁾ waves of boom and depression will also result in weak fluctuations in prices of securities.

But it must be admitted, that in that forcing up of prices and securities is an element, which is not without danger to our economic society; and since, in the future, with plan A and plan B and D of "Quo Vadis?" we shall have it in our power to prevent strong fluctuations, strong tendencies either towards boom or slump conditions in the production and consumption, it would be regrettable if in future it should be possible for the lust of gambling of the investing community to be the cause of incidents on our stock exchanges, which formerly led to crisis and sometimes even very serious crises. Indeed, in future, it will be *impossible*, and this is beyond all doubt, for them to occur to such an extent, at least, not if the way indicated in this book is followed. Nevertheless it will be desirable to exclude, once and for all, any and every possibility of a crisis on the stock exchange too.

Although in this book it has been clearly shown, that the writer is a very strong opponent of everything which forms an unnecessary obstacle to our personal liberty, and so, is a very strong opponent of "strictly planned economy" he is also of opinion, that, in future, measures to be taken by committees of stock exchanges, for the prevention of unsound forcing up of prices by people filled with the spirit of gambling, would be very welcome.

For gamblers are people who wish to acquire wealth easily, without working for it, but the result is often just the opposite, they become poverty-stricken. Well then, in future, such people must be deprived of the chance of endangering our society, which *can* be lastingly prosperous, by their transactions which, after all, are immoral. I shall not go too deeply into details, as to in what way it will be possible in future to eliminate the very last possibilities of crisis arising from unsound forcing up of prices, and, probably too, from the imprudent granting of credit.

Investment companies.

I should, here, like to draw attention to banking houses or departments in banking houses which, in the last few years have been

¹⁾ This word must in no case be interpreted in an unfavourable sense.

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coming more and more to the foreground — the so-called investment companies — where shares of *all kinds* are bought in and where sound investors can buy a share in these holdings consisting of assorted shares, and sometimes debentures too.

I consider them very useful institutions, which should be *the* way for small investors to invest. In this way, the risk is spread over a large holding of shares of a very varied nature, and such a holding of shares forms for the small investor an excellent bumper for absorbing the economic shocks.

By this method of investing they will, with a rising market, receive their share in the total profits earned, and with a falling market run no, or at least fewer risks.

In this way, it might be possible to keep the greatest sources of uneasiness from the stock exchange, at any rate the majority of them.

Should stock brokers, and also the securities department of banks, be afraid of losing part of their activities through this, they must not forget that in the future *the general interests* will have precedence. A prosperous society of the future will undoubtedly offer sufficient work in other fields to replace what has been lost.

The chief thing is, that the economic community should be protected from those factors and elements which in the future would either be an obstacle or a threat to a smooth working of things, and consequently to the great prosperity, which is undoubtedly to be expected.

CAPITAL AND PURCHASING-POWER

Since many of the solutions of economic problems contained in this book are based on the theory of the "purchasing-power", but since the word "capital" is also repeatedly used, it is desirable to pay some attention to the difference between "capital" and "purchasing-power". In a certain sense this difference is great, but then again it is not. For, in certain circumstances, "capital" may be "purchasing-power", and "purchasing-power" (money) may also, in its turn, be "capital". If, in a dictionary you look up a definition of the word "capital", you will find the following explanation:

- a) money at interest, or money borrowed at interest.
- b) a large sum of money.

From this it can be seen that "capital" and "money", even "much money" are synonymous terms, so that money or "purchasing-power", is capital.

But it is not at all necessary for capital to consist of money. It can also be possessions, for instance immovables or movables. Articles of utility do not so much belong to "movables" as do the so-called "capital goods" such as, for example, machines. A person's "capital", or his "wealth" too, consists mostly of immovables and/or movables, in the sense of large objects, as, for instance, capital goods, and naturally, merchandise. It further consists of securities, shares in some enterprise or other, or debentures. (bonds, mortgage bonds).

"Claims" also belong to capital or wealth, whether they be on private persons, or on concerns, and besides; the bonds already mentioned, deposits at the bank, surpluses at the transfer bank, balances at savings banks, further claims, goodwill — concessions and patents — and we must not forget landed property — it may be with vegetation on it (woods, for instance). This brings us to another kind of capital property, namely "live stock" (horses, cows, sheep, poultry etc.) The banknotes and the small money possessed is also part of the total of a person's capital or wealth.

CAPITAL AND PURCHASING-POWER.

Precious metals and precious stones are also considered as belonging to "capital", at least, unless the amount possessed is so insignificant as to be negligible.

Now "purchasing-power" is more the "money" itself, such as banknotes, and small money, as the liquid means, and further, the semiliquid means such as deposits and surpluses at the transfer bank. These represent their equivalent in purchasing-power. That is the money which is circulating. Goods — movables or immovables and securities do represent their equivalent in purchasing-power, but as a rule, only after they have been converted into money, and so into the circulating "purchasing-power". They are sometimes even more "objects of barter".

Now it is the "purchasing-power", part of which is repeatedly utilized during the process of production and distribution out of the already existing stock of purchasing-power, and at the same time is created to an equivalent value in new purchasing-power, and that utilizing of already existing purchasing-power and that creating of new purchasing-power, is effected by money (banknotes or small currency) passing from one hand into another, or by transferring bank surpluses, or surpluses at the transfer bank from one account to another, and also by the transfer of debenditures, for they, too, represent a certain amount of "purchasing-power". As to the latter, we have already indicated in the chapter "Home credit", that debentures do not signify any increase in "purchasing-power", but only owe their origin to a shifting of "purchasing-power".

For those, who have deposits at banks, a surplus represents "purchasing-power", and to the full amount of that surplus. As far as the bank itself is concerned, it has only so much purchasing-power in stock as the surplus amounts to the total sum of the account "creditors" less the total of the account "debtors".

The copious use of banking and transfer accounts together with that of cheque and drafts has greatly reduced the quantity of banknotes in circulation.

Purchasing-power with rising or falling prices.

How is it with the value of the already existing purchasing-power in slumps and booms, and so when prices fall or rise? Why, the

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falling or the rising of price only concerns the price or the value of the products, not that of the money. This is not effected by it. The result is, indeed, that for the same amount of money or purchasing-power after a rise or fall in prices it is possible, to buy more, or fewer products, as the case may be.

In financial circles generally it is wrongly assumed that the value of the *money* changes with an altered outlook in business but this incorrect conception springs from the phenomenon, that, suddenly, for the same amount of money or purchasing-power one can buy more or fewer products, as the case may be.

It is interesting to discuss this matter with people in banking circles. The conception that the "money" changes in value is firmly rooted in them. But, — and I repeat it — it is always the goods or rather the factors of which *capital* possession consists — except of course, the liquid means — which change in value. And so the loss suffered in such cases is loss of capital possession, the profits made is the increase in capital possession.

As to the *quantity* of purchasing-power or money in circulation, the rising or the falling of prices has no influence on it in any respect, at any rate, not at the moment, that the alteration of prices occurs.

It is only when losses are incurred, or the opposite, when extra profits have been made, during the *process of production and distribution* only *then* is there a question of loss of "purchasing-power", or of an extra creation of new purchasing-power, and so an extra increase of this.

Now the cause of the scarcity, or abundance, of purchasing-power with rising, or falling, prices lies in the fact, that with a rising market during the process of production and distribution of any product whatever, *more* already existing purchasing-power is *utilized*, than *new* purchasing-power was created during the process of production and distribution in the period immediately preceding the rise.

The same occurs in the inverse order with a fall in prices. In *that* case, *less* already existing purchasing-power is *utilized* during the new producing and distribution, than new purchasing-power was created just before, during the process of production and distribution of the same products at the old market price.

CAPITAL AND PURCHASING-POWER.

With a sudden fall in prices.

With a sudden, thus catastrophic, fall in prices such as was the case i.a. in the autumn of 1929, when the crisis began in America, there is no better and no sounder possession than "purchasing-power" — that is to say liquid or semiliquid means — because it, however much commodity prices may fall, remains untouched. But, here, too we again see the same phenomenon, namely, that, in consequence of the fall in prices in commodities, the possessors of the purchasing-power are in a position to buy more commodities with their "money" or "purchasing-power". But in most cases, this is only theory, for such crises are generally accompanied by a buyer's strike in which only the most necessary things are bought.

That in such cases there is often even a "scarcity of purchasing-power" instead of an abundance is to be attributed to the withdrawal of credits, the not putting into circulation or lending of money, or purchasing-power, by those who possess it to an adequate degree.

As to the "*quantity of purchasing-power*" in circulation of which with a rise — or fall — of prices there is an excess or a shortage, as the case may be, from which arises an abundance or a scarcity of money, this is entirely dependent on the extent of the rise, or the fall, in prices.

The commodities, or the products, which have already reached their ultimate possessor, no longer count in this. This is only a question of loss, or gain of *capital*. We are here only concerned with products of which the process of production and distribution is only partly completed.

The only question in this is, how much cheaper, or dearer will the products which are still in the stage of production, or of distribution, be than those which were produced before the rise, or fall, in prices.

Once the average percentage of this is determined, we know too, that an equal percentage of the "purchasing-power" in circulation or semi-circulation is, for a moment, in excess or that there is a shortage of it.

But this phenomenon only occurs once, for every product, produced at a higher or lower price level, again creates new purchasing-power tallying with the new level of prices.

We have already mentioned the fact, that nothing is noticed of this abundance of money with a fall in prices, and we have given

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the reason why. The shortage of purchasing-power with a rise in prices can be obviated, in the first place by increasing the rapidity of the circulation of money, in the second place by the bank of issue putting more banknotes into circulation.

With an abundance of money, however, the bank of issue will have to withdraw banknotes from the circulation, as we have already stated elsewhere.

Conclusion.

From all this the conclusion can easily be drawn, that during boom periods, certainly if such a boom has continued for a long time, and so there is again a chance of a crisis, the best thing to do is to convert one's "capital" into liquid or semi-liquid means, in other words, into "purchasing-power".

But in times of crisis, certainly if such a crisis has continued for a long time, and so there is again a chance of natural revival, the wise thing to do is to convert one's liquid means — "purchasing-power" — into "capital", that is to say "commodities".

We hope, however, that in the future there will be no more crisis.

In times of war, if he is wise, everyone will keep what capital-goods he possesses of the pre-war days, that is of the period of low prices, but will refrain from buying capital-goods at high war-prices and he will not buy securities at the high war prices either. The goods, and/or the articles of trade which one possesses can be sold at high prices, and so at a considerable profit. Further, one should keep what one possesses in liquid means, or buy government bonds.¹⁾

They yield interest, and, if a reasonable peace comes, and the war debts are liquidated in a sensible manner, as indicated by me, the holding in government bonds in war and in post-war time is really not to be despised.

¹⁾ However not too much above par.

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Is it possible to recover the cost of a war, or part of that cost, from a defeated enemy — and can a defeated enemy be made to repair the damage inflicted by him?

A very important question, to which the answer will soon have to be found, but to which I already gave an answer here. It is as follows:

"However paradoxical it may sound, so long as in the countries of the victors, or in the liberated countries, there is but one man without work and needing the "dole", it will be more advantageous to repair the war damage oneself."

"There is not a single action, in which mankind allows itself to be driven by unwise inclinations, or rather by its passions — hate, and desire for reprisal — and in which (the conqueror) commits excesses, so absolutely in conflict with the stringent laws both of economy and of nature, than in the fixing of the debts to be paid by the vanquished enemy, and by making him repair the damage he has inflicted."

Well then, let us just see how things were conducted at Versailles with respect to this matter.

We know that the heads of the victorious countries were gathered together at Versailles. And we know also that they were accom-

¹⁾ This chapter was written before the conference of Potsdam where it was decided that a great part of the German industry should be transferred to other countries, namely a large part to Russia, and another part to other countries as compensation for the war damage suffered. Germany itself is to become chiefly an agrarian state and the industries still remaining are intended to provide for its own requirements in articles of utility and, where necessary, capital goods. It goes without saying that every care will be taken to make it impossible to manufacture any more war material. All the same these very drastic measures taken at Potsdam, have not led me to make the slightest alterations in what is written here. Later on I shall again return to those decisions arrived at in Potsdam.

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panied by, and so assisted by, an army of most able experts, naturally also in the field of economy.

And what did they effect there?

We have already answered that question, but will do so again, because the matter is of such very great importance.

The peace work in Versailles was a total failure. It brought to a conquered foe poverty, misery, demoralization and despair which culminated in the coming of Adolf Hitler, with all the consequences attached to his coming. Already eighteen months after the war, there was a depression in the countries of the victors, followed by a recovery of such a nature, that eight years of increasing prosperity followed. But then the economic organism, that of the victors too, collapsed and a world crisis of unparalleled dimensions with its mass unemployment — 15 to 25 million unemployed — its cut-throat competition and its valuta chaos followed. It was a crisis which continued practically up to the present war.

We shall now look a little more closely into the peace work at Versailles, and especially into the matter of the war contribution laid upon the conquered enemy, or to put it better, how he was made to pay reparations.

* * *

As in the beginning, the afore mentioned leaders were inclined to show a certain moderation with respect to repair of the damage inflicted by the Germans, and so to the contribution to be paid by them, the respective nations did not agree with this.

The Hun shall pay!

Unanimously resounded the slogan "The Hun shall pay". Hate and the desire for retaliation drove the nations to demand of their leaders that they should make Germany pay the full pound in that matter of damage and reparation.

Well then, filled with *that* spirit, "the Big Four" continued to confer together. And with what result?

Well, reader, I will not go too much into details. Certainly the first few years, the Germans did perform the necessary work of restoration, but, as I shall return to that presently, let me immediately add, that they did it at the same time that, in the victorious countries immediately after the war, the number of unemployed grew daily,

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because there was no work for them, for all those men who had returned from the battle fields and for those who had been dismissed from the war industries.

If we add to this, that owing to the numerous mistakes made immediately at the peace, mistakes of a serious nature, already 18 months after the conclusion of the war, in the victorious countries too, as already mentioned, there was a serious economic depression owing to which the number of unemployed again greatly increased, then this makes one think, and there is every reason presently to submit this question to a serious investigation.

As to the immediate burden of debt which was laid upon the German nation, this was not fixed at once. "You Germans just set to work hard first, later on we shall determine how much you have to pay".

It would have been impossible for the Big Four to have made a greater psychological blunder at Versailles and in Paris. For, of course, the logical consequence of this was that the Germans did not set to work, realising that the harder they worked, the greater would be the total of the debts to be paid.

The opinion of Keynes (now Lord Keynes).

At the negotiations in Paris, the celebrated English economist, Prof. J. M. Keynes, was present as advisor to England's Prime Minister, Lloyd George. Shortly after the negotiations and the signing of the Treaty of Versailles, Keynes wrote a book, entitled "The economic consequences of the Peace" in which he made known his dissatisfaction and disappointment with that Treaty. Elsewhere I have written fully about the contents of that book.

According to the estimate of Keynes, the amount which the defeated German nation would have to pay in instalments was 8 milliard pounds sterling, a value in gold representing 160 milliard Marks.¹⁾ So one need not be surprised that Keynes then wrote about that Treaty:

The policy of reducing Germany to servitude for a generation, of degrading the lives of millions of human beings, and of depriving a whole nation of happiness should be ²⁾ abhorrent

¹⁾ Later on the definitive claim was considerably decreased.

²⁾ This was written by Keynes before the Peace was ratified.

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and detestable, — abhorrent and detestable even if it were possible, even if it enriched ourselves, even if it did not sow the decay of the whole civilised life of Europe.

Some preach it in the name of Justice. In the great events of man's history, in the unwinding of the complex fates of nations Justice is not so simple. And if it were, nations are not authorised, by religion or by natural morals, to visit on the children of their enemies the misdoings of parents or of rulers.

And later on:

If we aim deliberately at the impoverishment of Central Europe, vengeance, I dare predict will not limp. Nothing can then delay for very long that final civil war between the forces of Reaction and the despairing convulsions of Revolution, before which the horrors of the late German war will fade into nothing and which will destroy, whoever is victor, the civilisation and the progress of our generation.

Keynes' prophecy of a new war which would come, has, unfortunately enough, come true in every respect.

And how much of the burden of debt laid on the German nation was paid? For the experience *then* gained may be of use to the present conquerors.

Why, the answer to this very important question can be short; practically speaking *nothing* was paid. Nothing *could* even be paid.

Instead of the German nation paying, the conquerors, and also a few of the neutrals — the Netherlands among others — had to grant big loans to that nation ¹⁾, and with *that* money the German nation paid off *part* of the debt. Where, after all, that money, borrowed at a high rate of interest went to — the Dutch share amounted to 0.9 milliard guilders ²⁾ — the Dutch investing public knows only too well, for it became a big loss.

As to the loans of the other powers, they show a very interesting circle.

Germany made reparation payments, for instance to France, and with the money France paid off part of its debts to America, and lent the rest to England.

¹⁾ It goes without saying that the Netherlands did this voluntarily.

²⁾ In addition to this, there are still the short loans.

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In her turn, England also paid part of its debts to America, and America in its turn again lent money to Germany. This circle came to a dead end shortly after the crisis debacle of the end of 1929, which started in America.

In 1931 Germany even stopped paying. The credits granted to Germany by America were then "frozen", and so were not paid back.

When in 1931 the balance was finally drawn up, it even appeared that Germany was lent by its conquerors $3\frac{1}{2}$ milliard R.M. more than the amount paid by Germany to its conquerors. And in the debacle of 1931 that money too was entirely lost.

Requiring the impossible.

Greater economic stupidity than was committed there in Versailles, by laying that burden of debts on the German nation, is not imaginable.

Let us immediately put it very clearly.

A defeated enemy can never pay its conquerors in "money", when, as is always the case after a modern war, very high sums are involved... neither can it pay in "gold".

Most countries of the European continent possess no, or practically no, gold-sources, and since the defeated nations are chiefly those of the Central European countries, the payment of great sums in "gold" is excluded. In this it has been left undecided, whether, before long, "gold" will not be eliminated all over the world, as a means of payment, as economically disturbing, and so absolutely unsound.

Payment in the currency of the conquered country itself is possible, for a short time, in very small amounts, but, as already stated, never in great amounts, for no single country has great amounts of liquid means of payments at its disposal, apart from the fact that, by so doing, the "purchasing-power" necessary for home circulation would be tapped, and consequently the whole economic life of such a country would be disturbed. The printing of banknotes to meet obligations in that way, is no good, for such banknotes are, of course, valueless.¹⁾

So that the only possibility of payment left is: payment in natura.

¹⁾ Foreign paper will probably not be at hand any more in these countries.

namely raw materials, or products, or in the rendering of services to the victors. We shall return to this point presently.

In the first place, if a conquered enemy has removed art treasures from another country during the war, he must return them in an undamaged state; if such treasures are not to be found, or, in the meantime, have got lost while in his charge, then, in my opinion, it would serve the purpose if the lost art-treasures were to be replaced by art-treasures of a somewhat similar nature.

He will have to give back, at the earliest possible date, such things as locomotives, railway trucks and carriages, motor cars, machinery, and so on, which have been taken away by him and in the meantime made use of. It goes without saying, that much of all this will have got lost, and the rest will have suffered seriously from wear and tear.

All the same, even in the matter of the return of many things, care will have to be taken, that the conquered country, by returning these things, does not itself become entirely deprived of means of transport, even at the expense of the sufferer, for in the chapter "Recovery of our economic organism" it has been pointed out that it is a mistake — a mistake already made at the time in Versailles — to paralyze a considerable part of the production apparatus by an incorrect apportioning of raw materials¹⁾ and the sources of raw materials, and so also of the means of transport. That must not be done even in the case of a defeated enemy.

The repair of such things and the making of new ones will be carried out quickly enough.

We shall return again to the question of "payment in natura", or by the rendering of services to the victors.

Is "working" by the defeated for the victors possible?

After a modern war of exhaustion, such as we have experienced now twice in a few decades, the defeated nations can only pay their debts to the victors, and repair the damage inflicted in their countries by "working" for them. But will *that* too prove to be possible in practice?

In order to be able to answer this question, we should be wise to take into account the fact that the conquered nations themselves have prepared for many years for such a war, and afterwards have carried

¹⁾ At least the possibility of providing themselves with raw materials.

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on for five long years, at a very great sacrifice of human life, this war which was economically so exhausting, only ultimately in the last few years of the war to suffer tremendous damage in their own country, chiefly through air-bombing.

Now the war is over, such nations themselves are faced with almost insolvable difficulties.

But even if those difficulties were not so great, supplies in natura, for instance, could, naturally, only consist of products entirely made from raw materials which the defeated country itself produces, and also manufactured by means of energy — coal and oil, or wind-power or water-power — which would have to be yielded by the country itself. As soon as it became necessary to import all this, articles to an equivalent value would have to be exported as compensation, *before* it would be possible to make a start with the payment in products of the debt.

As to the withdrawal of millions of "workers" from the countries of the defeated nations, to make them do repair-work elsewhere as convicts, this would naturally mean a serious obstacle to the work of repair, and also to the complete recovery of the economic organism in the countries of the defeated themselves. The consequence of this would be, that such countries would remain great heaps of ruins, and their population would be doomed partly to slavery and partly to pauperism.

As to what reaction this would have on the other countries in Europe, especially those accustomed to carry on an intensive barter-trade with the conquered nations, we shall return presently.

For, before going into this matter further, let us take a lesson from what happened in the years following the Peace of Versailles.

A cry for help.

This is still more striking. In the year 1931, that is twelve years after Versailles, the former German chancellor of the Exchequer, Dr. Brüning, travelled in all haste to Paris, with a cry for help. He said that if the victors of 1918, the Allies, did not immediately lend to the German nation, which had been defeated 13 years previously, 2 milliard marks — this in addition to all the money lent to that nation in the foregoing years — there would be a complete economic debacle in Germany. "And", he added, "in my country there are secret forces

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at work, which will make use of the ruins which such a catastrophe would bring about, to climb high from under the ruins themselves". Here, of course, he was hinting at Adolf Hitler and Hugenberg.

Well, to put it shortly, those 2 milliard Mark were not forthcoming, and the economic collapse of Germany promptly followed. Some of the leading banking-houses suspended payment and the situation was not to be saved.

From these ruins climbed Adolf Hitler, and we know what the consequences have been.

It is worth mentioning further, that England and America, after first having refused to supply those 2 milliards at the time, were eventually prepared to lend Germany that money after all, but the French nation under the leadership and by word of Minister-President Laval — who worked so hard on behalf of the Germans in the war which just ended — could not agree to this. Thus it was on the initiative of the French, that this loan was refused, so that Laval is responsible for the debacle¹⁾ which followed.

And so it appears quite clearly from what has been previously said, that, in the years following the Treaty of Versailles, the Germans received — as we have already written — not only 3½ milliard R.M. more than they paid, but that even then, twelve years after Versailles, it was not possible to prevent a total economic collapse in Germany.

And during *that* war, practically nothing had been destroyed in Germany. And now, after such an instructive experience, how can one expect of the Germany after this war, the Germany which is itself a great heap of ruins, that millions of Germans will go and work for the victors, without this bringing with it much worse catastrophes than those the world experienced in 1929, in a world crisis of unprecedented dimension, or in new deeds of desperation on the part of a people that does not see any more perspective, which will again cause the victors incalculable loss?

¹⁾ It was in those days that the writer wrote a letter to the American Minister Stimson, who was present in Paris to confer on this question. In the letter was the following: "If now those 2 milliard Marks are refused the German nation, then later on a multiple of that amount will have to be spent to rectify that serious error." Well, that prophecy has come true, for at the present moment, in America alone, the national debt has risen from 40.4 milliard in 1939 to 240 milliard dollars in Febr. 1945.

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And though it will be possible, in the future, to prevent a third war with the Germans, there are still other deeds of despair, and other catastrophes imaginable, which can also be disastrous.

In the days of antiquity.

In the days of antiquity they set to work very simply; then the towns and villages of the conquered peoples were plundered and the men carried away as slaves to work for the victor. Such a nation was entirely exterminated, with the exception of the slaves, who had to work.

Now we should be inclined to suppose, that such slavery, or what resembles it, was a thing of the past. But the hate and the lust of retaliation against the vanquished enemy is so great, that it seems that, this time too, once more violating the laws of economy, it is the intention to apply the old, even classic manner of treating the conquered enemy. For, according to the reports which have reached us on this point, it is certainly the intention to deport millions of workmen from the conquered countries to the countries of the victors to make them perform labour there.

We must wait and see whether this will not bring its own punishment in the future.¹⁾

For in that manner, in Central Europe — and partly in Southern Europe too — there will be countries where the ruins will remain heaped up, and which consequently will also remain themselves economic ruins. That such countries will have little purchasing-power or power to exchange goods, and that to them there will be little transit traffic, is easy to understand.

And so it is seriously to be doubted, whether this is the most sensible way to pursue.

How will the victorious nations react?

We must divide the victors into four groups:

¹⁾ That the Germans have inflicted that damage in the democratic-capitalistic countries to a great extent themselves, and consequently should have to repair it themselves, is a matter apart from the economic side of the problem. This brings us to the field of "responsibility", even of the "whose fault" factor, which played the dominant role then at Versailles, as a result of which that peace has brought so much misery with it. So we shall restrict ourselves here to the economic side of the problem.

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1. America — lying outside of Europe;
2. England — lying in Europe, and its oversea dominions;
3. Russia;
4. The liberated European countries.

America.

America now is the greatest "creditor" of numerous European countries, which consequently are debtor-states. This is partly due to the consequences of the supplies under the so-called lend and lease law. Just as on the previous occasion was the case, especially with France, the European states will again be only too anxious to pass those debts on to the conquered nations.

That would mean, that the conquered nations would, in the future, have to produce enormous quantities of products, and so would, on a large scale, have to supply America with them, although these supplies would, in theory, be effected via the conquerors in the rest of Europe.

Now it is a very interesting fact, that now the war is over, no country in the world will experience such an economic relapse as just America, so that this country will not have the least need of those products of the vanquished nations.

As we already know, before the war there were still from 10 to 12 million unemployed in America, while a great part of the production-apparatus, was at a stand-still, — was not utilized. In the steel industry alone this was already above 50 % of the production capacity.

During the war and so owing to it, there was a sudden change, and America got work to do in abundance in the form of war supplies to fighting Europe. Later on, it was for America itself too. So much, in fact, that the production machinery had to be extended very rapidly.

But now that that waging of war has come to an end, and the production of war material by America, not only for itself but for all its allies, has suddenly come to an end, the American economic life, that already before the war required only part of its production machinery, and so, as already stated, had a great surplus of labour, will again be normal.

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It is not likely that much of this surplus will have been lost in the war. But it is certain that America has suffered no damage from the war, so that it has no war-damage to repair.

Therefore, however, it can supply all the more to all European countries for that purpose, and, in that way, provide its production-machine with work. But the paying capacity of the European countries, now the war in Europe is over, is no longer great and they will not have much inclination to become more deeply indebted to America — which by the way, from an economic point of view would not be a good thing at all.

And so, as already said, there can be no doubt about it, and in America itself they are quite aware of it, soon there will be a very serious economic relapse there,¹⁾ and, again, a great part of the American production-apparatus will go out of action, and once more there will be a very large number of unemployed there.²⁾ With this in sight, it would be very harmful for America to receive European labour, or its results, in payment of its claims on Europe.

It is doubtful, whether it will be possible to pay those debts in any other way, at least, if this is to be done in a manner economically justified — as will be necessary.

Russia.

As to the Sovjet-republic, where the communistic method of production, or rather state socialism, is practised, in that state there will be just as little unemployment now the war is over as there was before.

The unemployment problem is unknown in such a state, which does not mean, that the system of production practiced there is the most ideal one. We shall come back to this very important question later. So in Russia some millions of workers of the conquered nations could find work and to spare, and we know, that they are already being transported to that country to do forced labour for the Russians.

¹⁾ Since this was written, this relapse has already come.

²⁾ That America can prevent this by the application of the "Quo Vadis?"-plans A, B and D, and if necessary C too has already been described (see the chapter on "The United States of North America") but this does not affect what follows.

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But we would pass over this whole problem of the repair of damage in Russia, and come back to it again in the chapter "World Recovery".

England and her dominions.

As to England, she has her dominions and the whole of the rest of the world-market as outlet, and so, just like America, will not be very sorry, if the great and keen competitor from Central Europa, in the future, at least for a long time, is out of the way. But England cannot yet know, that in this book the way is shown to provide the production-apparatus in every country with an abundance of "work", in future, for sale within its "own boundaries", in which export will become only the "means of covering the import", so that that fear of a competitor in the world-market no longer has much reason for existence.

It is seriously to be doubted, whether a treatment of conquered enemies, corresponding to that at Versailles, and even far surpassing it,¹⁾ after all the awful experience already gained, would be sensible.

And as to the repair in England itself, the same holds good for her, as for the countries of the continent of Europe, which have been occupied many years, and all of which have suffered damage, some even very serious damage.

After this, we shall see how *these* countries stand with respect to the repair problem.

The liberated countries.

And now, with respect to the countries of Europe which have been occupied, and would so like to have the damage inflicted upon their countries repaired or made good by the defeated nations, just let us repeat the words already written:

"However paradoxical it may sound, so long as in the countries of the victors or those of the liberated countries there is but one unemployed man needing the dole, a country can more advantageously repair the war damage itself."²⁾

¹⁾ As in Potsdam has been the case.

²⁾ Assuming that that out-of-work can be employed for repair work.

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It would be stupidity for a victor, or for a liberated country, to make the defeated nations work for it, so long as in that country there is one man out of work and requiring the dole.

What is the repair of damage, even if that damage has been inflicted by the defeated foe, but the working up of costless raw materials, with the aid of human energy into new products to replace those destroyed during the war. Well, that producing too gives rise to the circulation of money, the creation of purchasing-power, and increased turnover in the concerns, with all the favourable consequences attached, such as reduction of the pressure per unit of production exerted by the overhead expenses, together with a rise in the profits. It gives life and activity to our society and with it prosperity and joy of living, and, above all, work.

Are we going to leave all those advantages to the defeated nations,¹⁾ so long as we still have unemployed, who increase our public debts with their weekly dole? This unemployment is the beginning of a crisis situation with its keener competition, its decreased possibility of production and its swallowing up of the profits still to be made, by the stationary working expenses.

It is the most short-sighted thing one could do, to think and act in such a way.

For the reader will easily be able to conclude from the previous chapters "National Debts" and "About incurring national debts in times of peace or of crisis", that there is not the slightest advantage in having labour performed by conquered enemies, if, at the same time, one has to grant a dole to the unemployed.

Moreover: productive labour prevents the unemployed from becoming demoralized, and themselves and their families living a life of pauperism.

Even if the raw materials or products necessary for the repairs of the damage have partly to be obtained from abroad, then — under the future system of "barter" — that will again give possibilities for export, and so, work again for our own production machine and our own "labour". All this will be with the favourable consequence, mentioned above.

Though it may seem very nice to make the defeated enemy pay

¹⁾ Who in their turn are not in a position to pluck the fruits because they are pushed too deep into the mud.

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for the damage inflicted, and so receive from him gratis products or raw materials, once again: so long as a country itself has surplus labour; in stead of receiving anything gratis, it is more advantageous to have national products made, or raw materials and agrarian products produced by the surplus labour, to be sent in return for the things supplied by the former enemy. For that again gives an increased circulation of money, and... an increased turnover along the whole line.¹⁾

And should the expenses of that work of repair, to be done by ourselves, and of those "quid pro quo", cause our national debt to rise during the first few years to some extent, — we would remind you that the purchasing-power created by that work really has to form of itself a circulation of money — even then, the disadvantages, provided those national debts are only liquidated in the manner, proposed in the chapter, entitled "National Debts", will not at all exceed the great advantages, attached to the performing of the work of repairs ourselves, and the supplying of "quid pro quo".

So it is a perfectly old fashioned idea to want to make the defeated enemy(ies) pay the whole debt, by making them repair this damage, and so, at the same time, reducing these nations to beggary. No, these modern times call for sound economic ideas, and, with them, for a different treatment of one's enemies. For they, too, ought to be given a chance to live, even the chance of a life of happiness and prosperity.

It is of no benefit to the conquerors that defeated nations totalling 100 million people should have to live like paupers, and that too for many generations.

Let them too raise themselves from the pool of misery in which they find themselves. Let them too return to life, to happiness and even to prosperity, and you will have in them good consumers of your products.²⁾

What good is it, if they perform work of repair as your slaves, or pay their debts with their labour, if by so doing they would not be able to buy the products which you have destined for export?

Had not we here in the Netherlands, shortly before the war, yearly a surplus of 90 million kg excellent foodstuffs which had to

¹⁾ We refer here to the chapter "Multiplicity of the money circulation".

²⁾ This sounds very different from the measures taken in Potsdam.

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be thrown on the dungheap, and did not we also have from 300.000 to 400.000 unemployed whom we had to support and provide with work, because the "hinterland" for various reasons, among others, the payment of interest and the finding of the money for redemption of moneys borrowed from us, was not in a position to buy our exports, owing to which these became unsalable?

When all is said and done, who paid the interest and the moneys for the redemption which were paid to our capitalists?

The answer is fairly clear: they were, properly speaking, the producers of those goods which were intended for export, but which also as a result of the obligations the defeated nations were under, were unsalable.

I have already written about this important subject in the chapter "Foreign loans".

* * *

To go and repair the war-damage inflicted in the liberated countries and the damage to the production-apparatus by participating in the further destruction of Germany means: repairing one's own production-apparatus "once" in a manner, which will bring a *lasting* loss to the exporters to Germany and to the transit-traffic.

It is better to have the production-apparatus repaired by those countries or *that* country whose production-apparatus is too big rather than too small; and where there is even an excess of production-capacity, the best method for all parties for doing this from an economic point of view will be discussed further in part III in the chapter "World-recovery".

Let the slogan be: "Live and let live".

In other chapters I have clearly shown, that the victors in this struggle have a good opportunity to achieve prosperity, very great prosperity even, now the war is over. Well then, do not let the mistake made in 1918 be repeated, the mistake of making demands on the defeated nations, contrary to the stringent laws of economy, by which these nations would be morally and materially ruined. Instead of that, let us lead *those* nations along the path leading to "prosperity". Seeing the damage to be repaired in their own country, and the losses in "labour" which they suffered from the war, they will have to work

hard enough to reach that goal without our burdening them with debts or making them work for the victors. But by leading them to that path and by helping them to reach prosperity, we shall, at the same time, be helping *ourselves*, and our own economic organism, for, acting in that way, we shall make of them consumers with great purchasing-power.

Let us *remember* this.

Therefore the reader is referred here to what (in 1938) is written on page 24 of my "Quo Vadis?"-brochure. For let us, this time, be on our guard against repeating this mistake. On that page may be read:

Most unfortunately, the "Big Four" who, in the early part of 1919, met at Versailles to draw up the most wretched of all peace treaties, did not realize the existence of this wealth and prosperity, or, in other words, were not aware that the war of 1914—1918 had "brought about wealth".¹

If they had been aware of this, how very different would have been the text of the peace treaty. Then they would have thought twice before fettering a people numbering some 65 million souls (excluding Austria) as was done in the far distant past, and compelling them to live a life of poverty without any prospects of betterment whatsoever. How is this mistake now affecting Europe, which is once again armed to the teeth, with the states facing each other ready to commit the most stupid acts!

If the "Big Four" had been conscious of the possibility of there being wealth they should have invited Germany to collaborate with them in an attempt to secure this wealth or rather to bring about prosperity by using the great producing plant in the interests of mankind.

It was the greatest mistake on the part of those, who immediately after the war, that is in the beginning of 1919, assumed the leadership in the various countries not to have availed themselves of the possibilities of achieving prosperity.

¹) This, because the total production capacity, after the war, was greater than before the war.

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The lesson of the past.

The following fact proves how foolish it is to put impracticable claims on a defeated foe, after years of a modern war of exhaustion. In 1933, when Hitler took over the government, America still had claims on various European states amounting in all to about 12½ milliard dollars.

Now we all know, that with the exception of Finland, no single European country fulfilled its obligations to America, also because, practically speaking, Germany paid nothing.¹⁾

Well then, America should have been wise enough to send its President once more across the Atlantic with the promisory notes of the European states,²⁾ in his portfolio. There he should have invited all the heads of the states to meet him round the green table, have laid his claims on Europe before him and spoken as follows:

“Our peace-work in Versailles has not been a success. Well then, we Americans are prepared to give up our claims on Europe, arising from the war 1914—1918, if the victors of 1918, to whom we also belong, are prepared to repair the mistake of the Treaty of Versailles, and so remove the thorns from the flesh of the defeated nations. In this way Europe is offered the opportunity of complete recovery, and is consequently assured of a future of lasting prosperity and peace.”

Had America's President then spoken in such a way — and it would even have been better, if America already had done such a thing about 1925—1928 — it would, in theory, have sacrificed that amount of about 12½ milliard dollars. I say in theory, because nothing would have come of that payment, in practice. But by acting in that way, it would have been assured of a prosperous, a peaceful and, above all, of a Europe with great purchasing-power, which, as outlet for its products, and so, as a possibility of production for its tremendous production machine, would have been much and much greater, and of considerably more significance than the Europe of the years 1930 up to the war, poverty-stricken as it was and filled

¹⁾ In this chapter we have already been able to read what a strange circle the moneys paid by Germany covered, only to return again into the German treasury as “loans”.

²⁾ Which had already proved to be no longer of any “practical” value, but then still had a great moral value.

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with hatred, in which the world crisis raged violently and in which, consequently, the purchasing-power was extremely small.

In that way, America could, to a great extent, have saved itself from the world-crisis, which curiously enough began in that rich country of the principal victor of 1914—1918, and that in the year 1929. And by acting in that way, America could certainly have saved itself to a great extent, from the loss of income, certainly amounting to 200 milliard dollars, from the approximately 10 American crisis years,¹⁾ as well as from the tremendous loss of capital, caused by the crisis.

No, those 12½ milliard dollars of European debts would not have been sacrificed in vain. But that excellent deed described above, the most advantageous which America, the great commercial and banking house could ever have done, was, unfortunately enough, not performed. America preferred to accept that loss of capital and the loss of income of the crisis years, the latter amounting to 200 milliard dollars, and even preferred to risk a new world war — which as far back as 1919, Professor Keynes had prophesied would be the consequence of the mistake of Versailles — the financing of which caused the American public debts to rise from 40.4 milliard dollars in 1939 to about 240 milliards in February 1945. And how much will still be added to them?

You see, the "leaders" of our world-economy in the years behind us, were at logger heads with the economic laws, for they had no understanding of a sound economy.

Will things prove to be different now the war is over? So far, this is very seriously to be doubted.

Another kind of modern slavery.

For the sake of completeness the following should also be mentioned:

There is still another way of compelling a defeated nation to pay a very large war-contribution, and that is by confiscating its economic organism to a larger or smaller extent by dividing the shares of its enterprises among the creditors.²⁾

¹⁾ Here we have compared the National Income in America of the years 1930 up to and including 1939, with that of the year 1929.

²⁾ In Potsdam they went to work still more radically, for we know it was decided to transfer a great part of Germany's industry to other countries.

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But that too would mean nothing more nor less than old-fashioned slavery in a modern guise, as, after all, it is not so much the shareholding that matters, but the fruits this holding of shares would yield in the form of dividends.

Well then, as we know, this is economically possible so long as small amounts are involved, but we shall have to bear in mind, that for every amount that such a defeated nation paid in cash in this way, it would only be able to import for an equivalently smaller amount, which would in its turn mean that the victor would be able to export less to such a country. And so that would mean for the victor a similarly reduced production possibility. Who considers this objectively and with some knowledge of economics, will observe that the receipt of that small amount of interest at the expense of the export, and consequently at the expense too of one's own production possibility, is perfectly valueless, and offers no single advantage. I have already described this fully in the chapter "Foreign loans", and also in my article "Public loans", which appeared on 10 March in various Dutch daily papers.

But should the confiscation of the production machinery of the defeated enemy be applied on a large scale, then all those serious faults mentioned here will also grow, and to such a serious extent, that not one single advantage will be left for the victors, while the conquered nations would fall into such a state of dependency and slavery, that all desire for any show of energy and recovery would be nipped in the bud, and such nations would again sink into demoralization, pauperism and finally despair, which one would easily understand

* * *

This same fate would be that of England and the European countries which during the war were occupied — though perhaps to a lesser extent — if they should be overburdened, and continue to be overburdened with debts to America.

Let America seriously think of what has been written in these last few lines in connection with its policy, which, at this moment in Washington and Wallstreet is being put into practice towards all its European allies of to-day, and which, it would seem, is going to be carried out towards the whole of future Europe.

Here, in a few words, I will begin by saying that America is en-

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tirely on the wrong path, and that the Americans are making a mistake, if they think that they would be acting wisely by making a sort of vassal-state of the whole of Europe.

Once already America — with the former allies — made a very serious mistake at Versailles, and a still more serious mistake was: failing to correct (in the years after Versailles) the mistakes made there, and this failure was still more serious when the coming of Adolf Hitler pointed to new dangers. If America had followed the way indicated here, in time, that is to say, if it had given up all its old claims on Europe, America could have created a Europe politically quiet, economically prosperous and consequently with great purchasing-power.

Unfortunately those wise lessons from the past are still taken so little to heart.

Yet another method.

There is yet another way to be considered for making a conquered enemy pay a war contribution, and that is to make him pay, for a longer or shorter period, an extra payment of say 5 % on the value of everything he *imports*. This percentage could vary with the nature of the article.

The reader will be apt to suppose that it would be more just to make Germany pay this 5 % on all its *export*. It will turn out, however, that the application will be less difficult and the results better, if it is done as proposed here.

But also there are many objections to such a method of levying, chiefly because there must be sound co-operation and harmony, not only between the countries and peoples of Europe who would apply such a levy to the conquered nations, but even between them and all other countries in the world and their people.

After all, such a method of "levying" amounts also to "working" for the conquerors, who, in their turn, will, owing to this, have less opportunity to export to all the countries hit by such a "levy" practice, which would ultimately show, that such a levy would yield no advantages to the conquerors and their allies.

But, for the sake of completeness, we did not wish to omit just drawing attention to the possibility of such a levy.

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Conclusion.

The only way to pursue is that of strictly carrying out the stringent laws of economy and nature, and *they* do not tolerate exhausted, conquered nations again going to work for the victors. This must not be forgotten in the coming peace.

St. Matthew 5 : 44.

But does not the reader see here, how incredibly beautiful really those economic laws and those laws of nature are, if we observe that they demand from the victor as the highest degree of economic wisdom, that he should extend his hand to the defeated enemy, even raise him from the morass, and instead of overburdening him with debts, or making him do repair-work or work as a slave, give him too a share in life, even build up with him in harmonious co-operation a new and better world? (See page 24 of the "Quo Vadis?"-brochure and page 246 of this book).

Must we doubt a moment longer that such an economy is the right one, for did not Jesus Christ teach "neighbourly love", and did not He give to mankind the command "Love thy enemies as thyself. and do good to them that hate thee"? ¹⁾

For how harmonious are the laws on which our cosmos is built, if we clearly keep in view that those commands of "neighbourly love" and that loving of one's enemies, are in full accord with the economic laws, which after all, are based entirely on "materialistic" considerations and calculations.

But then it appears to us, how little we humans have known and understood those stringent economic laws, for it to be possible for us to have acted hitherto in exactly the opposite way — especially at Versailles — by trampling under foot every commandment of "neighbourly love", and hating our enemies, forcing them deep into the mire and overburdening them with debts which they could not possibly pay.

How that acting in conflict with God's commandments and *His* economic laws has revenged itself on the conqueror who themselves were scourged with a crisis of unknown extent, which even culminated

¹⁾ St. Matthew V — 44: But I say unto you: Love your enemies. bless them that curse you, do good to them that hate you, and pray for them that despitefully use you and persecute you.

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in this second most terrible of all world wars, which Professor Keynes as far back as 1919 prophesied, and so, well considered, designated as their "own work".

Humanity has been given by God great, very great freedom to go its own way, if it only accepts the consequences of doing so, when it acts in conflict with God's commands and His stringent laws.

* * *

In the introductory part I, the question was already put:

„Do the victors know how defeated opponents must be treated after a modern war of exhaustion, so that the victors do not suffer more *new* loss, than the compensation, that can be obtained from the defeated enemy, on account of the damage inflicted by him during the war? Even more new loss, than the compensation the conquerors think they can get from the late opponents, for the damage inflicted by them, as for instance was the case in the quarter of a century following the peace of Versailles?"

Well then, we have seen in this chapter that, in 1919, at Versailles — according to Keynes' estimate — £ 8 milliard (160 milliard R.M.), was demanded of defeated Germany. Twenty-five years have lapsed since then, but, in that quarter of a century, the *then* victors have suffered again in loss and expenses first from the world-crisis and now from the second world-war, to an amount that is *many times* the multiple of that amount, of which, as we now know, after all, never a pfennig was paid.

So we see in this, a strong confirmation of what was written above about Matthew V : 44.¹⁾

* * *

Another cycle.

According to all appearances, we shall soon again experience a "cycle" like that which was already experienced in 1919—1931 with the reparations.

According to the newspapers the defeated nations will have to supply the conquerors with millions of workers, while the victors in their turn undoubtedly will have to "loan" (as has been usual up to

¹⁾ Many are of the opinion, that the Treaty of Versailles, was much too mild. But the stringent laws of economy and of nature do not tolerate such a treatment of conquered nations as occurred there.

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now, in accordance with former economic views) very great sums to the defeated nations to help them to get a little out of the mire.

This time that money will not be paid back as reparations, because now the defeated nations will *work* for the victors.

But all the same that loaned money will disappear in a bottomless pit, and will never be repaid, for the simple reason that such a thing is *impossible*.

Now those sums which are to be loaned are "purchasing-power", created in the countries of the winners by workers of the winners.

And with that purchasing-power the governments of the defeated nations will go and pay for the "labour", performed in their own country, and will buy with it products and raw materials in the countries of the winners — consequently the results of their (victors) work, and, after the elapse of some time, perhaps even the result of the forced labour of the deported people from the defeated nations.

So here again, we see a "cycle". But this time, the defeated nations supply "workers", while at the same time the winners will supply the defeated enemy with "purchasing-power", for which the workmen in the camp of the winners will first have to work. And probably the winners, at least many of them, will, at that moment, also see their national debt growing, in consequence of the dole which they will have to pay to their post-war unemployed.

If people were wise enough not to demand that slavery of the defeated nations, then, probably, it would not be necessary to send them any "purchasing-power", for which the winners themselves first have to work, and they themselves would undoubtedly have fewer unemployed.

Thus, this whole cycle is again a great piece of stupidity, just like that in the years after 1919.

And it again appears clearly from all this, that the supreme leaders of the nations and their advisers have, in the years preceding 1945, still learned nothing from two awful world-wars and one very costly world-crisis.

The conference of Potsdam, of which the consequences to be expected for the whole of Europe, will be mentioned by us in part IV, has this already clearly demonstrated too.

Our children and our grandchildren had better definitely prepare themselves for new catastrophes to come.

WHAT WILL BE THE VALUE OF THE CURRENCIES NOW THE WAR IS OVER, AND WHAT WILL OUR GUILDER BE WORTH? ¹⁾

This is a question which is occupying the minds of many people.

But the answer to that question will depend entirely on the answer to another question. And that question is the following:

Now the war is over, will the winner(s), again commit such a heap of mistakes and stupidities as after the last war? And will people continue to act in absolute conflict with the extremely stringent laws of nature and of economy? If so, then I should not give much for the values of the various currencies, and consequently not for our guilder either.

But if sensible action is taken soon, if the passions are kept under control, if all the stringent economic and natural laws are strictly observed, and ultimately such sound peace stipulations are compiled that it will be possible to build up on them, a better, and so a prosperous society, well, in that case, I consider the various currencies, even those of the very badly hit countries, absolutely sound, and even of *no less value* than before the war.²⁾

We shall not pay too much attention to the first mentioned case, that in which foolish action would be taken, for there is no remedy for that.

But if, now the war is over, things are done wisely, then we shall have the following situation.

All countries have participated in the war more or less, either directly or indirectly, and have been seriously affected by it. All the war-waging countries with the exception of America, have suffered to a more or less serious extent from bombardments, the ravages of war, through that war have lost a larger or smaller number of

¹⁾ This concerns also the pound, the dollar and every other currency.

²⁾ Since this chapter was written the currencies have been fixed as follows. 1 £ is 4.03 dollars, 10.691 guilders, 200 Fr. francs and 176½ B. francs.

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people, and are all, without an exception, overburdened with public debts, *one to a greater extent than the other*. This also holds good for many of the former neutral countries.

Well then, we need not be disturbed about these debts, if only the method given in this book for their liquidation is followed. (See the chapter on "National debts").

And then, if only we keep strictly to the further stipulations and prescriptions mentioned in this book, all of which, are based on the stringent laws of nature and economy, we really need not be worried about our currencies, especially not if we accept

"labour" as "the measure of value"

for that would greatly simplify the stabilization and the fixing of the currencies.

This, at least, as far as the countries producing on modern lines, are concerned.

The currencies of the other countries, those not producing on modern lines, such as the Eastern, the South-Eastern and also the Southern states of Europe, will be treated in accordance with what is written about the currencies of such countries in the chapters "Valuta-stabilization" and "Labour as the measure of value". For the standard of living of such countries expresses the relation of the cost of production of those countries to that of those modern states with their high standard of living.

Production the dominating factor.

For we must remember, that production and the method of production are the dominating factors. "Money" is, and always will be, only an expedient, for, after all, "the product itself" is the thing. If we can produce much, we shall live in prosperity, at least we *can* live in prosperity, if, on the other hand, we can only produce little, we shall live in poverty.

All this *depends*, however, on our making no mistakes which ultimately end in crisis or war.

Naturally, the reparation of the war damage will play an important part, though, when fixing the currency this may not be taken into consideration.

Now I have already demonstrated, that, although in many countries much has been destroyed by the violence of war, now that the

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war is over, the total production apparatus will have become bigger rather than smaller, while the damage which has been done to the production-apparatus in Europe and to the means of conveyance there, is, of course, to be considered first for repair, so that this can again be repaired within a limited number of years, for each state separately, even the most hard-hit.¹⁾

As to maintaining of the so important equilibrium in the balances of payment of the various European states during these years of reparation of the damage inflicted upon the production and distribution apparatus, this is only a question of pursuing the *correct* economy, *internationally*.

In part III it will be further demonstrated which economy it ought to be. But here we can already state, and the reader will immediately be able to see this for himself in the following chapter — which is the last chapter of this book — that good economy is generally paradoxical.

And so the whole European production problem, and consequently that of the currencies, too, need give rise to no serious worry, of course, provided that *the correct ways are taken*.

We shall return also to this currency problem in part III.

The American currency.

As to the future value of the dollar, we must take into account the fact that America is the great creditor of practically most countries of Europe.

So, after all, the dollar ought to be the soundest of all currencies, and, with respect to the other currencies, ought to head the list. But, in this should happen, Europe would not be able to do much business with America, for American products would be much too expensive for Europe.

So we should only be able to buy from America what was absolutely necessary, and, for the rest, have to manage with our European products, or products from elsewhere, or, if necessary, to make shift without them.

This would be of no advantage to America, so that America will have to see to it, that the ratio of the dollar to the other currencies is not abnormally high.

¹⁾ Russia is not taken into consideration here.

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It is true that the standard of living in America, may, as formerly, be higher than in Europe, because thanks to the great quantities which can be produced there, and actually are produced, an efficient method of production is promoted, while America has some specialities which Europe needs *all the same*, but this difference must not be too great.

We repeat, that we can give America no better advice than to act wisely with respect to the claims on Europe, and especially to take a lesson from the experiences of the years following the last war. Let America not forget, that the balance of payment of every European state after the war will have to be in equilibrium, that with America too. So that if we have many debts to pay to America, we shall be able to import little from it, while, on the other hand, if we have to pay few or no debts, and consequently have no interest to pay on them, we shall be able to import many American products.

The latter state of affairs is — as I have already written — much more advantageous for America than the receipt of interest and the redemption of debts. It is needless to point out again, that *big* payments in interest and redemption are only to be made in products or services, that is to say, in "labour" on the part of the debtor to the creditor. And America does not need *that* labour at all. It is for those reasons, that there will be no wiser or more sensible economy for America, now the war is over, than the immediate cancelling of its claims on Europe.

I shall return to this very important matter in the third part of this book.

Banknotes.

We will just give our attention to the circulation of banknotes. Since the arrival of the transfer system, banking accounts and cheques, banknotes have lost a lot of ground, and their use has become considerably less. It would be possible to extend the transfer system and these banking accounts, and consequently the use of cheques, considerably, so considerably that small money and banknotes would only be necessary for small expenditures.

Banknotes and small change should only be looked upon as if they were counters in a game of cards. A certain quantity must circulate in order to make it possible for the game to go on (at least the sort of game our parents and grandparents used to play).

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Gold cover for banknotes is an old-fashioned idea.

Let the banks of issue simply put banknotes into circulation when circumstances call for them.

It will not be difficult for the board of the Bank of Issue to determine from statistics how many banknotes must be in circulation at any given moment.

If the business outlook becomes less favourable, a certain proportion of the banknotes must be withdrawn from circulation. If the outlook becomes more favourable then more banknotes will have to be put into circulation.

AN ADDITION — AT THE VERY LAST MOMENT.

The Netherlands.

As to the Netherlands, this country which has been so badly hit in this war, both at home and in its colonies, will have to work very energetically and also to carry out a very sound economic policy in order to keep its guilder up to the mark.

And so the Netherlands will not be in a position to devote its entire energy to the work of reparation, and by so doing, neglect the normal production. No, after having repaired the means of transport for the general benefit, as much as possible, and after having taken the necessary emergency measures for solving the housing problem, full attention will have to be given to setting industry working at the earliest possible moment. The Netherlands will have to import on a large scale, but will have to see to it, that, as soon as possible, all import is compensated by export or by the rendering of services.¹⁾

The state will have to restrict its intervention to what is absolutely necessary, lest the state machinery should become too expensive. It must not be forgotten that, from an economic point of view, the corps

¹⁾ This, notwithstanding what will be written in part III about the maintaining of the equilibrium of the balances of payment.

of civil servants consists, for much the greater part, of unproductive workers and that the expenses attached to the entire governing apparatus and a regulation on the part of the state — planned economy — must be borne chiefly by the *normal* production and distribution process, while also the great expenses attached to the state capital service, must, for the greater part, be yielded by it too.

And it is, therefore, a matter of urgency that our entire production apparatus should function at full capacity, without any delay. But therefore it is necessary too, that in industrial life and in the case of private individuals, there should be sufficient working capital — “purchasing-power” — to set the production process going.

In this connection, the experiment of the Netherlands Minister for Finance with his monetary measures is of the very greatest importance. For here, for the first time, a measure has been taken on a large scale, *based on the new economic postulate*:

“that every product creates its own value in purchasing-power”.

But the rigorous manner in which the Netherlands Minister for Finance has applied this measure engenders the fear that His Excellency forgets that, if the “purchasing-power” is to be created, the postulate already mentioned in this book in the chapter “National Debts”, must be observed, namely “that during the production and distribution process just as much “existing purchasing-power” is *utilized* as new “purchasing-power” is created.

That “existing” purchasing-power which must be utilized, ought, as already said, to be present in the concerns, and also in the hands of private persons.

It goes without saying, that the employees receive it in the form of their week's wage, or their month's salary, as the case may be.

It is therefore a moot point, whether the Netherlands Minister for Finance has acted wisely in, when all is said and done, placing possessors of capital under a kind of legal control with respect to their possession, and also, whether his system of strict economy, of saving and of thrift, is the right one.

For this is again a system of “deflation”, which is at antipodes with the system propagated by me, which is that of “Let the money roll” ¹⁾ and in the first place see to it, that industrialists, private persons and

¹⁾ This not interpreted in the unfavourable sense however; even unnecessary expenditures make the money circulate and so are useful too.

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employees have sufficient purchasing-power, so that the production apparatus has full work, and *all* commodities produced can reach their ultimate buyers.

The monetary measures now being taken in the Netherlands will, it is to be feared, result in many obstacles in our economic life, and *that* is not desirable.

Confidence in banks and the transfer-system has been shaken, so that hoarding of banknotes, with all the consequences attached to it, will be the result.

The placing of possessors of capital under legal control will have a *depressing* effect and will kill energy. But the worst of all is, that the obstacles in the way of making payments, presumably will result in debtors taking advantages of the circumstances, by asserting to their creditors:

"I cannot pay, because my means are not at my disposal". Sometimes this will really be the case, but, often, it will *not* be so.

The abolition of the secrecy imposed on banks may be just as unavoidable, but it should be re-imposed as soon as possible.

* * *

The Minister for Finance said in his radio speech "The whole world is following the experiment in monetary measures in the Netherlands". Well then, this experiment is not without danger. It is even to be expected that the Dutch Minister of Finance will have to greatly moderate his original plans if he wishes to make his monetary measure a success.¹⁾

As to how the fabulous National Debts will be *liquidated*, we are left still in the dark. Presumably the first few years the paying off will take place in the old-fashioned way, viz, by creating new debts to pay off the old ones. But, in the long run, it will appear, that the only economically justified way is the way proposed in this book in the chapter "National Debts", namely the yearly amortization of the principal with 1, 2 or $2\frac{1}{2}\%$, because there will be not enough money in the treasury *to pay off* the debts.

¹⁾ As His Excellency has already done to a great extent since his announcement in the "Staatsblad" of 26th July. In the meantime we have got to know from the book "Nota in zake de monetaire en budgetaire positie in Nederland", who the advisors of His Excellency were in this important matter, and what advice they gave.

That the thesis that "every product creates (re-distributes) its own value in the purchasing-power" is the basis of this experiment, is perfect — who would expect any other opinion about this from me — but it would have been very much better, if the interference with the personal possessions and with personal liberty had been *considerably* less than is the case now.

It is to be hoped that both the Minister and his advisors will show great prudence in applying "capital levy" in the case of bona fide capitalists. The chance of dislocating and paralyzing economic life would be very great. It would be better, after allotting to each individual his, or her, share in the National Debts", to pass on to a differentiation in the payment of interest on the public debts, which have arisen during the war, — see pages 88 and 89 — varying from $\frac{1}{2}\%$ or 1% to $3\frac{1}{2}\%$ in proportion to the bearing power, or rather the incomes which the capitalists already have at their disposition.¹⁾ In this way, the same is achieved but in a less rigorous manner, and for the State, the burden of interest, by so acting, would be considerably less. With respect to the interest payment one must not lose sight of the fact, that by this the total purchasing-power present in the State is not reduced, provided the tax-levy necessary for this purpose is effected in the right manner. But in the whole very important problem of monetary measures and the liquidation of the high war debts, it must also be borne in mind that:

f 1000.— (about £ 100) paid by a capitalist in taxes may be very useful, but as soon as this *f* 1000.— (£ 100) is utilized for the purchasing of products, it causes a ten-fold circulation of money²⁾, that is to say *f* 10.000.— (about £ 1000), if not more. This is all remuneration of the services rendered to the product; and the State will receive from this *f* 10.000.— (£ 1000) more taxes out of the production- and distribution-process and from all of those who work in it, than that *f* 1000.— (£ 100) which the State received from that capitalist, while that purchase more-over results in the benefit of providing "labour" and the increase of turnover in the concerns with all the favourable consequences attached to it.

¹⁾ Even $\frac{1}{2}\%$ interest is more than the bankers gave before the war for big amounts deposited with them.

²⁾ See the chapter on "Multiplicity of the circulation of money".

DIVERGENCY OF OPINIONS

In the first chapter of this book, we wrote on the last page:

"We will now already draw the reader's attention to the fact that, before he has finished this book, he will see that all solutions given here of the pending great world-problems, once and for all deviate from the still prevailing opinions with respect to these problems, and from the ways which are still followed at the present moment with respect to those problems, on the supposition that they are the correct ones.

Now this deviation from the solution arrived at here, and from the opinions of others, or the ways prevailing at present, is as great, as the difference between black and white.

But only one of these two views can be correct, from which it follows that the other is absolutely wrong. The reader may judge for himself. The new view has been adequately explained and elucidated here, to enable him to judge for himself.

But if the new view in these very important matters should be the *correct* one, one must not be astonished that this last quarter of a century has brought us two terrible world-wars, and one long and miserable world-crisis."

Well then, reader, you have been able to see how greatly the solutions described here for the great problems which for many decades have called and certainly still call for a sound solution, deviate from existing ideas, or from the ways hitherto followed.

We shall only speak about the principal differences:

Neither the democratic system of government, — hitherto considered the most ideal one, but by which it is impossible to govern smoothly and soundly — nor the absolute dictatorship, — which, in success leads to presumption and recklessness, and in failure to a policy of "va banque" — are suited to govern the nations in a right way, but a system that can be looked upon as the synthesis of those systems, con-

taining the "good" that they both have in them, but avoiding the "un-sound", which inherent to both systems, is. (This will be further elucidated in Part IV).

Not on discord, hate and a desire in the nations for reprisal must the future be based, but on united and harmonious co-operation.

It is not the enmity between employer and employee propagated for already a century, not the conflict between capital and labour with its strikes and lock-outs, that will bring us a better future, but a joint march to prosperity, as described here.

For I have already written ¹⁾, "the ways which lead to prosperity for capital and labour run parallel. "Capital" cannot continuously tread the path leading to prosperity, *unless* it voluntarily takes "labour" with it on that way, and lets it participate in the prosperity.

The highest wisdom of the industrialist does not lie in remunerating "labour" as *badly* as possible, as the opinion has been so far, on the contrary, it is just in *as good a remuneration* as possible, taking into account all economic factors connected with it. It is especially in a *correct* distribution of the "purchasing-power" created during the process of production and distribution that this wisdom lies.

Not deflation, but just the opposite, "live and let live", is the way to prosperity, and the prevention or the remedy for unemployment, and through it the putting of money into circulation in the smoothest possible way.

It is not the utilizing of our principal products, such as houses, ships, machines and motor cars *as long as possible*, that is the highest degree of economic wisdom, oh no, just a limited use of them. They must certainly not be utilized after they have served us long enough — in accordance with an amortization system.

It is not the "gold", which represents the accumulated *work* and *purchasing-power* of the past, sometimes even of the distant past, but the work, which we *now* perform and the purchasing-power which we *now* create with it, that are of value to us.

Not in devaluation is safety to be sought in case of a disturbed

¹⁾ In the book "Quo Vadis?" or "The Way to unprecedented prosperity".

DIVERGENCY OF OPINIONS

equilibrium of the balance of payment, but in a correction of international commercial traffic itself, and the rendering of services, in the manner suggested in this book, in other words, in a powerful stimulation under qualified guidance of the export trade of the states which have arrears in the balance of payment.

Not export of "capital" or "purchasing-power" such as has taken place up to now by milliards, for that is fatal, and disturbs our economic organism. "Purchasing-power" for which there is no employment in the home market, points to economic mismanagement. The way to prevent this has been indicated here.

The state must incur no debts for the purpose of remedying a condition of crisis, and to mitigate the most disastrous consequence of crisis, unemployment, by granting doles and providing work. For incurring public debts is a-social, and economically *inadmissible*. For it is chiefly the masses (the labourers) that *have* to bear the heaviest burden of the liquidation of public debts.

The *correct* way to prevent crisis and unemployment will be found in the plans A, B and D of "Quo Vadis?"

Not by overburdening the defeated enemy with debts, and by making *them* repair the damage inflicted, does the conqueror serve his own interests best, but by helping that enemy on to their feet again, helping them to become a nation, healthy, industrious, enjoying life and, consequently, with great "purchasing-power".

Looked at from an economic point of view, it is even more advantageous for the victor, at least as long as he himself still has unemployed, — much as it may seem paradoxical — to repair the damage inflicted by the enemy, himself with his own resources, than to have it done by the defeated enemy.

And last, but not least, not an eventual exercising of power, or an economic guardianship, by the present winners over the weary, even exhausted European nations, is the right policy; not in the *possession* of claims for debts on the same nations, debts arising from war or food supplies, lies the highest degree of economic wisdom on the side of America, that great commercial and banking house, now it has emerged as victor from this war together with its allies, but just

in the immediate remittance of all those claims — however paradoxical that too may sound in the ears of the Wallstreet magnates.

Let neither America nor a small minority group of states strive for "supremacy", but let it award the oldest claims to it to Europe. For Europe, with its old history and its nations which have been purified by centuries of suffering and struggle, and so have won their liberty and independence, but also their pride, is unsuited to have the law laid down by any one, whoever it may be.

Any attempt at exercise of authority over Europe would, in the long run, stir up bitterness in the European nations, many of whom, through no fault of their own, have already been seriously victimized by the recent conflict. For Europe has not fought for centuries for its liberty and independence, and it has not struggled through two world wars and one world crisis, neither has it been liberated from the German yoke after a bitter struggle and *much*, indescribably much suffering, only to see itself burdened with another yoke.

That bitterness in the European nations would lead to depression and this again to crisis conditions, of which the countries lying outside Europe would also experience the serious repercussion.

Just a free, independent, prosperous, and so cheerful Europe will prove to be the best customer for the countries lying outside Europe, such as America, and so will eventually bring the greatest advantage to those countries.

Then let America apply, as soon as possible, the "Quo Vadis?" plans A, B and D and, not to forget the so important plan C, of which the reader will find the description in part III. For with their aid it will create lasting prosperity, not only for its own people, but even for the whole world, as will be demonstrated later on.

In the way briefly described here, everything is in entire accord with the stringent laws of nature, with the extremely stringent laws of economy but also with the commandments of God. In this way too, the mentality of the nations is taken into account in such a way, that for all nations, so for the defeated nations too, there is a perspective of lasting prosperity, of prosperity in which all nations — also those which were most heavily afflicted by the war — will be able to participate, even very soon.

DIVERGENCY OF OPINIONS

The reader has now been able to see how much the solutions of many of the pending world problems given here, deviate from the opinions now prevailing, and from the way hitherto followed.

Must we be astonished, we would repeat, if the solutions indicated here are the right ones, that there were two terrible world wars and one long and awful world crisis in the space of a quarter of a century? For have not we piled blunder on blunder in that quarter of a century?

Probably there are only few people who have known how many abuses there were before the war, and how much there is to be changed, if we wish to participate in the lasting prosperity which mankind so dearly desires and so greatly needs.

But if we wish to participate in such lasting prosperity, then it will not be sufficient to deviate *a little way* from the path hitherto trodden, no, we shall even have to turn into a side path at an angle of 90 degrees, one also which runs at right angles to the way which so far we have been taking.

For only then, shall we be able to make certain of lasting "prosperity" and "peace".

To be continued in the second volume part III and IV.

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